The Role of Institutional Logics in Shaping Firm Practices:

The Case of Corporate Governance & Corporate Social Responsibility.

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Submitted in accordance with the requirements for the degree of
Doctor of Philosophy

The University of Leeds
Leeds University Business School

July, 2020

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The candidate confirms that the work submitted is her own and that appropriate credit has been given where reference has been made to the work of others.

Dedication

To the precious soul of my dearest father.

To one of a kind, my sweetheart mother.

To the love of my life, Abdullah.

To the joy of my life, Joud.

Acknowledgements

First of all, I thank Allah for granting me the blessings, focus, patience and strength to complete this thesis.

I would also like to express my gratitude to my supervisors, Prof. Konstantinos Bozos and Prof. Gianluca Veronesi, for their support, patience, trust and encouragement, as well as the fruitful discussions, guidance and feedback throughout my studies.

A special thanks should be extended to Ms Michelle Dickson for her kindness, motivation, assistance, care and endless emotional and administrative support.

I am appreciative of the financial support I received from the Public Authority for Applied Education and Training (PAAET) in Kuwait during my study. My appreciation is also extended to my colleagues and friends at the Centre for Advanced Studies in Finance (CASIF).

I owe special thanks to my family and friends overseas. My great appreciation especially goes to my dearest mother for her eternal love, prayers, support, motivation and assistance. Mother, thank you for being there, loving me unconditionally and taking care of my small family. I am also sincerely grateful to my brother, elder sister and in-laws for their care, blessings, support and encouragement. My deep gratitude goes to my dearest sister, Fatima, for her unconditional love and support, and the good times and memories in Leeds, as well as the delightful meals! Sister, thank you for being a nice part of my PhD journey; it would not have been possible or bearable without you.

I would also like to express my special appreciation to the most important person in my life, my husband, Abdullah. This stage of my life would have been impossible without his support, confidence and inspiration. My love, thank you for believing in me, being supportive and loving, encouraging me, coping with the time we were apart, and above all, taking very good care of our lovely daughter. I love you my man! In addition, I owe big thanks to my little princess, Joud, for bringing love and joy to my life and enduring the distance and the long period I was away. Joudi, I promise to make it all up to you. I love you my sweetheart!

Finally, I would like to express my gratitude to my dearest father – may his soul rest in peace – for the confidence, belief and inspiration he always granted me to do my postgraduate studies. Father, I am proud to be your daughter and I really wish you were here today to celebrate *our* achievement!

Abstract

This thesis investigates the role of institutional logics, as hidden drivers of firm behaviour, in shaping firm practices and decisions on corporate governance configurations and engagement in corporate social responsibility. It adopts a quantitative approach to identify and assess the embeddedness of family and market (non-family) logics in firm decision making, incorporating several behavioural dimensions in terms of real firm practices that are empirically proven to differ between family and non-family firms. The thesis builds on the socioemotional wealth preservation perspective regarding displaying family or non-family firm-like behaviour, and develops a new, institutional-based classification of firms, comprising family logic-driven and market logic-driven firms that draw from the notion of firm logic orientation – a latent explanatory, institutional factor.

This institutional-based approach suggests a distinct view of the familiness and non-familiness, or marketness, of firms irrespective of ownership status (family or not). Particularly, this thesis emphasises that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their distinctive culture and nature. Using US-based data of firms listed on the S&P 1500 index in the period of 2006–2016, it tests the main and moderation effects of firm logic orientation through the empirical windows of corporate governance and corporate social responsibility.

The analysis finds that family logic-driven firms differ from market logic-driven firms regarding the firm choice of internal corporate governance configurations and the magnitude of the established corporate governance determinant-configuration relationships. Specifically, relative to market logic-driven firms, family logic-driven firms appoint smaller and less independent boards and pay top managers lower total and equity-based compensation. Moreover, compared with the marketness logic orientation, the familiness of firms mitigates the effect of corporate governance determinants, including firm-specific, managerial and governance characteristics, on corporate governance configurations concerning the structure of the board of directors and the design of executive compensation.

The findings also show that family logic-driven and market logic-driven firms vary in terms of the firm social performance of corporate social responsibility and the magnitude of the relationship between strategic conformity – a legitimacy-seeking activity – and corporate social responsibility performance. Particularly, relative to market logic-driven firms, family logic-driven firms perform worse regarding firm engagement in corporate social responsibility. However, relative to the marketness logic orientation, the familiness of firms amplifies the

social gains derived from firm legitimacy in relation to improving the perception of firms' corporate social responsibility. This mitigates the otherwise negative impact of familiness logic orientation on corporate social responsibility performance.

The findings indicate that, driving firm behaviour, the familiness logic orientation of firms presents a distinct, family-oriented business form that, apart from family ownership status (or not), differentiates firms from the standard, shareholder-oriented view of firms – so-called marketness logic orientation – in terms of firm practices and decisions. This implies that the latent institutional factor of firm logic orientation matters at least as much as the facet of ownership status for firm practices and behaviour. This thesis is one of the first to quantitatively measure the embeddedness of institutional logics – an intangible construct – in firm decision making based on the level of observed firm practices as a tangible manifestation of namely family and market logics, and to empirically examine the influence of family and market logics on firm practices and behaviour in the contexts of corporate governance and corporate social responsibility.

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List of Abbreviations

Abbreviation	Explanation
CG	Corporate governance
CSR	Corporate social responsibility
ESG	Environmental, social and governance
FLDF(s)	Family logic-driven firm(s)
IL(s)	Institutional logic(s)
MLDF(s)	Market logic-driven firm(s)
R&D	Research & development
SEW	Socioemotional wealth
US	United States of America

1 Introduction

The scholars have extensively investigated and attempted to explain the differences in the practices and decisions of firms, emphasising a certain concept of distinction among firms. To examine firms and – by extension – understand their practices and behaviour, it is reasonable to attempt to group them into distinguishable groupings and classifications. To this end, firms are usually grouped on the basis of ownership criteria. In the family business literature, firms are commonly and traditionally viewed in terms of their family ownership status and, as such, they are classified into genuine family firms if they are owned or managed by a family. By default, all firms that do not fall into this category are considered as non-family firms. Building on this simple dichotomy, family and non-family firms have been widely analysed in regard to firm practices and decisioins, with the result that this extensive literature provides ample empirical evidence of a behavioural discrepancy. However, this difference in firm behaviour deriving from the ownership status (family or not) of firms is fundamentally ignored in the literature.

A large majority of family-oriented studies is almost exclusively ownership-based, which relies on the ownership criteria to compare family firms with their counterparts. In doing so; however, the traditional ownership-based classification of firms falls short of incorporating the actual firm practices and behaviour. In this thesis, I posit that, contrary to the predominant ownership-based classification of firms, the behaviour of non-family-owned or managed firms can potentially be more similar to that of firms that are traditionally included in the family category. Or it may well be that the behaviour of firms, which are considered to be similar because of family ownership, can be substantially different when looking at firm practices and decisions. Thus, ignoring the behavioural perspective in favour of the ownership criteria represents a crucial misunderstanding and limitation in the family business literature.

Emphasising firm behaviour, in this thesis, I mainly direct attention to the notion of institutional logics (ILs) as covert drivers of firm behaviour (Friedland and Alford, 1991). To explain the diversity of firms and how they react differently to the institutional environment in which firms exist and operate, the concept of ILs has come into play proxying for firm behaviour. Here, the isomorphism of firms, a key assumption of institutional theory on firms being uniform or similar (Meyer and Rowan, 1977; Scott and Meyer, 1983; Scott, 1987; DiMaggio, 1988), becomes less of a major focal point at the field, societal and global levels. Instead, the focus shifts to the influence of ILs on firms and members at the firm, industry, market and other levels.

Providing the guidance and prescriptions of appropriate behaviour and means to achieve it, ILs latently embed in firm decision making (Thornton and Ocasio, 2008; Greenwood et al.,

2011). As such, they portray the culture and nature of firms in running the business that firm behaviour best demonstrates (Meyer and Rowan, 1977; Friedland and Alford, 1991; Danisman et al., 2006; Greenwood et al., 2011). According to Danisman et al. (2006), firms may embed one main culture or nature that reflects an overriding logic at the firm level concerning firm decision making. Thus, firm practices and decisions are tangible manifestation of such embedded logics (Greenwood et al., 2010), prompting the discrepancy in firm behaviour. Therefore, as a latent institutional factor, ILs trigger areas of further investigation regarding their role in shaping firm practices and decisions. However, previous studies have largely neglected the role of ILs that implicitly drive firm behaviour. As such, the primary purpose of this thesis is expanding the knowledge and understanding of the ILs perspective.

According to Thornton (2004), firms exist and operate in a society that represents a multi-order institutional system comprising multiple, main institutions or societal sectors, both market and nonmarket. Each of these is associated with a core, unique logic; IL, that addresses the values, assumptions and norms of the corresponding institution and guides social actions. Accordingly, firms confront a complex institutional context, encountering multiple and different institutional demands and pressures imposed by a plurality of logics (Greenwood et al., 2011). That is, ILs coexist and interplay, and at the same time, contradict one another. Therefore, as Greenwood et al. (2011) assert, although ILs can interrelate, they often come into conflict as their guidance is contradictory and incompatible in terms of the symbols and material practices comprising each institution's ongoing principles.

A growing interest in ILs is justified by the institutional complexity that firms confront due to the prevalence of multiple, typically competing logics and the adoption of different response strategies (Reay and Hinings, 2009; Pache and Santos, 2013). For instance, addressing the contradictory demands and pressures that firms experience, Greenwood et al. (2010) point to the inconsistency of family and market logics relating to firm decision on downsizing, where family logic promotes providing job security more effectively relative to market logic. Further, Miller et al. (2011) highlight the difference between the norms and prescriptions that family and market logics impose in terms of the strategic priorities of lone founder and family-owned or managed firms, thereby explaining firm performance. Likewise, Mair et al. (2015) stress distinct firm types in relation the setup of governance structures of hybrid firms, identifying the embeddedness of commercial and social welfare logics in firm decision making and firm response strategy to them. Still, there is relatively little empirical research on the role of ILs in driving firm behaviour.

Stressing firm behaviour, in this thesis, I addresses the gap in the literature by first suggesting the application of the ILs perspective to the concept of distinction among firms,

rethinking of family and non-family firms in terms of firm behaviour apart from ownership status (family or not). In other words, I propose that the embeddedness of ILs in firm decision making plays an implicit role in shaping firm practices and decisions, ultimately determining the firm type in terms of whether or not a firm is family-oriented. Thereby, I emphasise that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their distinctive culture and nature. Particularly, in this thesis, I identify and classify family and non-family firms differently relative to the ownership-based studies, emphasising the display of family and non-family firm-like behaviours irrespective of family ownership status (or not).

Accordingly, stressing the most prevalent ILs, I emphasise both family and market (non-family) logics. Drawing on the family business literature, particularly the concept of 'institutional overlap', I address the intersection between families and their businesses (Lansberg, 1983). In this way, I pose a family-oriented business system that is opposing or inconsistent with the typical shareholder-oriented business setting, emphasising the contradiction or incompatibility of family and market logics. Thus, in this thesis, I primarily depict the family logic in the sense of a family-oriented attitude and preference that fundamentally portrays an overlay between the family and business systems, presenting a distinct business setting. In contrast, drawing on the firm theory and market discipline perspectives and given the threat of the takeover market as a primary control mechanism (Jensen and Meckling, 1976), the market logic underlies a shareholder-oriented business setting in terms of prioritising the key economic business objective of profitability and shareholders' wealth maximisation in an archetypal business system.

Stemming from the family business literature, in this thesis, I primarily draw on the perspective of socioemotional wealth (SEW) to underlie the difference among and classification of firms. The scholars have found that SEW is the most prominent aspect of family-oriented identity and the most important differentiator of family firms, where it represents a latent explanatory factor of their distinct behaviour (Berrone et al., 2012; Cruz et al., 2014). SEW is founded on behavioural agency theory, introducing the affective endowments of key firm actors – owners and managers – related to the non-economic benefits, such as authority, reputation, social ties and job security, derived from the firm (Gomez-Mejia et al., 2007; Berrone et al., 2012). It presents a primary reference point of family firms around which their problems, issues and opportunities are framed, irrespective of the economic logic of running the business in terms of the primary objective of profitability and shareholders' wealth maximisation. In other words, relative to non-family firms, family firms carry out practices and decisions that essentially help maintain or extend SEW regardless of their financial returns, avoiding the potential loss of SEW.

Therefore, among the differentiation aspects, the SEW preservation increasingly presents a key distinguishing factor that explains the difference in strategic choices and managerial decisions between family and non-family firms (Berrone et al., 2012). In other words, as a key characterisation of family firms, the priority of SEW preservation captures the uniqueness of family behaviour in contrast to non-family firm behaviour, primarily exhibiting a family-oriented attitude and preference. More importantly, SEW is not supposed to be limited to family businesses, and as such, family ownership or membership is not a condition (Berrone et al., 2010; Miller and Le Breton-Miller, 2014). Thus, stemming from the family business literature, in this thesis, I adopt the popular SEW model to frame firm behaviour in terms of depicting and differentiation between family and non-family behaviours, and in turn, identify and classify firms.

Drawing on the idea of conforming firms that prioritise a single, dominant logic to direct firm behaviour (Mair et al., 2015), at one extreme, in this thesis, I introduce and define family logic-driven firms (FLDFs) as those embedding a family logic in terms of the priority of the preservation of SEW attached to the firm as a family-oriented attitude and preference. At the other extreme, I depict market logic–driven firms (MLDFs) simply the opposite, embedding a market logic in terms of the priority of profitability and maximisation of shareholders' wealth, which is a primary economic business objective. Emphasising firm behaviour, in this thesis, I portray FLDFs and MLDFs as behaving like family and non-family firms, respectively, in terms of their motives, objectives and essence. In particular, FLDFs (MLDFs) are driven by the same family (market) logic of family-owned or managed (non-family) firms. This primarily emphasises the notion of SEW, where the SEW preservation is a vital non-economic reference point of firm practices and decisions; that is, SEW is a priority that distinguishes between FLDFs and MLDFs in terms of their practices and behaviour.

Therefore, stressing the perspectives of ILs and SEW, I mainly expect commonalities and similarities between FLDFs (MLDFs) and family (non-family) firms. In essence, irrespective of ownership status (family or not), FLDFs and MLDFs exhibit family and non-family firm-like behaviours as a manifestation of family and market logics embedded in firm decision making, respectively. Further, building on the fact that ILs can coexist and interplay, as in dissenting firms that resist the identification with a single, dominant logic (Reay and Hinings, 2009; Greenwood et al., 2010; Mair et al., 2015), in this thesis, I allow firms to embed both family and market logics in a hybrid form of firms that exhibit an overlap of family and non-family firm-like behaviours.

Moreover, emphasising the embeddedness of family and market logics, I posit that such institutional-based distinction among firms is conceptually superior for characterising and

defining firms to the traditional split of family and non-family firms that emphasises the ownership criteria. Particularly, it incorporates firm behaviour regarding actual firm practices and decisions apart from ownership status (family or not). In other words, I emphasise the idea that family firms can behave like non-family firms and vice versa, where basically it is the firm behaviour that is important rather than the facet of ownership status.

Thereby, emphasising the embeddedness of ILs, in this thesis, I mainly suggest a distinct, institutional-based classification of firms into FLDFs, hybrid firms and MLDFs. Specifically, I introduce the notion of 'firm logic orientation' that depicts and defines the firm type in terms of the so-called logic-based group of firms, illustrating the embeddedness of family and market logics by which a firm is driven. Therefore, to describe the logic orientation of firms, I put forward the constructs of 'familiness' and 'non-familiness' to identify and classify firms. These constructs highlight the dominant logic embedded in firm decision making and driving firm behaviour accordingly irrespective of family ownership status (or not). For precision, simplicity and clarity, in this thesis, I refer to non-familiness as 'marketness', addressing the contrast and opposition of family and market logics (Miller et al., 2011). Accordingly, the discussion builds on the rapidly growing ILs perspective to highlight the distinction among firms, suggesting a distinct view of the familiness and marketness of firms.

Regarding the core of this thesis, it raises an important claim that real firm practices and decisions tangibly manifest the embeddedness of ILs in firm decision making that portrays the firm culture and nature, thereby characterising and defining the firm type in terms of firm behaviour. Advancing the understanding and conceptualisation of firm type and the classification of firms, it primarily depicts the familiness of firms in terms of a family-oriented flavour and essence – the concern for SEW preservation – whereas the marketness of firms presents the opposite – the priority of profitability and shareholders' wealth maximisation. To date, no study has directly defined and measured ILs, where most work on ILs is qualitative[1] – interview or survey based; this draws attention to a research opportunity.

Therefore, addressing such gap, in this thesis, I develop a quantitative measurement of the intangible construct of ILs concerning the embeddedness of family and market logics to determine the logic orientation of firms in relation to firm behaviour. As such, building on the perspective of SEW preservation, I differentiate between and classify FLDFs and MLDFs based on real firm practices and decisions in terms of the level of several behavioural dimensions, including corporate diversification, earnings management, tax aggressiveness and research and development (R&D) investment. In the family business literature, family and non-family firms are extensively analysed and empirically proved to vary in terms of these behavioural

[1] See for example, Mair et al. (2015).

dimensions, increasingly justifying the distinct behaviour of family firms from the SEW preservation perspective.

In this thesis, I address another gap in the literature by directing attention to empirically examining the influence of ILs on firm practices and decisions, emphasising the role of ILs in driving firm behaviour. So far, research has not focussed sufficiently on the association between ILs and corporate governance (CG), highlighting an area of investigation given the evidenced discrepancies in CG, for instance, the difference in the board of directors' structure between family and non-family firms. CG introduces the means of control in terms of internal CG configurations, including the board of directors as the core of CG and executive compensation, to manage the potential agency problems between owners and managers. It emphasises a central objective of maximising the wealth of shareholders, as the dominant stakeholder group, by increasing firm's financial returns. Given the various CG configurations, CG practices exhibit a remarkable discrepancy among firms in terms of the setup of firm governance.

While economic hypotheses largely explain the implementation of CG in relation to the structure of the board of directors and executive compensation plan, there remains an unexplained idiosyncratic component. Thus, the CG configurations adopted in firms where ownership status (family or not) is emphasised fall short of adequately explaining the uniqueness of firm governance practices. While the extant literature has highlighted the perspective of ILs in identifying and differentiating among firms regarding the setup of governance structures (e.g. the qualitative analysis of Mair et al. (2015)), less attention has been paid to empirically investigating and addressing how different CG configurations are. Thus, in this thesis, I address this lack of understanding and examine whether and how firm logic orientation affects firm behaviour, focussing first on firm governance. Specifically, drawing on the perspective of ILs, I emphasise the association between firm logic orientation and CG.

Stemming from the SEW preservation perspective, the premises lie in the unique, influential identity of FLDFs, which encompasses firm priorities and interests in terms of what a firm is and what it wishes to become. Stemming from institutional theory, firm identity serves as a sensemaking tool for the distinct firm behaviour (Ravasi and Schultz, 2006; Glynn, 2008; Kodeih and Greenwood, 2014). In accordance with this, SEW represents the leading aspect of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), providing a demonstration of the characterisation and distinction of the identity of FLDFs. According to Greenwood et al. (2011), a stronger firm identity implies more conditions versus, and as such, resistance to external demands and pressures. Therefore, building on the concern for SEW preservation, FLDFs derive CG discretion from such an identity, which yields to CG deviance (Aguilera et

al., 2018), in alignment with SEW-related interests and goals given the non-economic utilities of key firm actors linked to the firm.

This mainly sheds light on distinct, idiosyncratic governance practices of FLDFs relative to the dominant shareholder-oriented governance system, which is, drawing on the firm theory and market discipline perspectives, presumably more likely conformed in MLDFs, given its overarching objective in relation to shareholders' wealth maximisation. Stressing the lens of ILs to investigate firm practices and decisions, the first empirical chapter – Chapter 3 – uses CG as the focal empirical window to examine whether and how the logic orientation of firms influences the firm choice of internal CG configurations in terms of the structure of the board of directors and executive compensation plan. Emphasising the implicit role of ILs as covert drivers of firm behaviour, it particularly raises a research question of whether ILs shape the setup of firm governance.

Going a step further, the second empirical chapter – Chapter 4 – investigates whether and how firm logic orientation affects the relationship between CG determinants and configurations, addressing a more subtle and in-depth manifestation of firm character – the logic orientation of firms – in firm behaviour. Stressing the role of ILs in shaping firm practices and decisions, its underlying research question specifically is, do ILs condition the impact of CG drivers concerning the setup of firm governance? This mainly extends the initial argument on the difference in the choices of internal CG configurations between FLDFs and MLDFs. Particularly, I emphasise the moderating role of firm logic orientation regarding the effect of well-known CG determinants, including firm-specific, managerial and governance characteristics, on CG configurations in terms of the board of directors structure and the design of executive compensation.

Emphasising the perspective of SEW preservation, the key premises underlying the moderating role of firm logic orientation lie in the application of an organismal filter. According to Greenwood et al. (2011), external pressures and demands do not affect all firms equally; however, they pass through organisational filters enacted by the characteristics of firms themselves, namely firm identity. Firm identity determines the interests and priorities, and as such, responses of firms to external demands and pressures, which shape the practices and decisions that firms undertake, making sense of firm behaviour (Scott and Lane, 2000; Albert and Whetten, 2004).

Accordingly, building on the priority of SEW preservation, the identity of FLDFs serves as an organisational filter of the CG pressures and demands imposed by the dominant shareholder-oriented governance practices, where SEW poses the most prominent feature of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014). Applying the organisational

filter of firm identity between CG determinants and configurations, FLDFs respond differently to CG determinants concerning CG configurations relative to MLDFs, mainly aligning CG practices with SEW-related interests and concerns irrespective of the prevailing governance system, in line with the CG deviance perspective (Aguilera et al., 2018).

Further, stemming from the ILs perspective, firms confront institutional complexity, given the multiple, typically contradictory logics, to which they respond differently in the way that best fits them, namely firm response strategy (Greenwood et al., 2011). The response strategy of decoupling basically implies that firms implement practices that are best aligned with firm interests and goals, mainly separating between the operational and normative structures (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008; Tilcsik, 2010; Bromley and Powell, 2012). Emphasising the SEW preservation perspective, FLDFs undertake practices that most likely conform to their SEW-related interests and goals in the name of protecting the affective endowments of key firm actors, including authority and control, reputation and prestige, job security and protection and social ties, attached to the firm.

Therefore, adopting decoupling response strategy, FLDFs create a distinction or separation between the implemented and standard or prevailing systems regarding CG, where they decouple CG configurations from their determinants. That is, responding distinctly to CG determinants concerning CG configurations, unlike MLDFs, FLDFs do not undertake the predominant governance practices at their operational level; instead, according to Mair et al. (2015), they obey the minimum standards for legitimacy-seeking purposes. As such, FLDFs implement CG practices that align with their priorities, interests and concerns relating to the preservation of SEW that collectively demonstrate their distinct, potent identity.

Moreover, stressing the SEW preservation perspective, the non-economic utilities derived from the firm self-motivate FLDF managers to willingly serve as self-monitored stewards of the business. Given the dual threat that they cope with in terms of bearing both financial and SEW-related risks and the interdependence of firm's financial standing and SEW (Berrone et al., 2012; Miller and Le Breton-Miller, 2014), the managers of FLDFs possess a substantial incentive to protect the firm financially, and in turn, maintain their both financial wealth and SEW closely attached to the firm. Therefore, they actively act efficiently and not opportunistically, given the competitiveness of managerial labour market and the threat of takeover market. This hinders the potential opportunistic behaviour of FLDF managers as the loss aversion of current non-economic benefits linked to the firm outweighs the pursuit of future gains.

Accordingly, the self-incentivisation of FLDF managers prompts their stewardship and, according to van Aaken et al. (2017), self-governance. This underlies the substitution effect of

SEW for the respective controlling roles of the board of directors and executive compensation (Williamson, 1983). Specifically, the importance of the board of directors and executive compensation as internal CG configurations, regarding their roles of monitoring and advising, as well as managerial motivation and the alignment of managers' and shareholders' interests, respectively, is limited in FLDFs where the preservation of SEW is a priority.

I extend the empirical investigation of the influence of ILs on firm practices and decisions through another important empirical window, that of corporate social responsibility (CSR). CSR stresses the wider social good in terms of the socially responsible practices of firms that consider the interests, demands and concerns of various groups of stakeholders, both internal and external, as the recipients of firm practices and decisions (Peterson, 2004). Despite shareholders presenting the dominant stakeholder emphasised by firm management, firms have many other relationships with a variety of stakeholders, including consumers, suppliers, employees, government bodies and environmental supporters, who purse different, non-financial goals, preferences and interests. This highlights the significance of evaluating how firms perform regarding the social and environmental consequences of their practices and decisions, where doing good leads basically to doing better (McWilliams and Siegel, 2001; Sen and Bhattacharya, 2001; Nelson, 2004; Borghesi et al., 2014).

In spite of the prominence and influence of CSR, firms normally exhibit a difference in firm social performance, where some firms engage less in socially responsible practices compared with their counterparts given the common, underlying difference of ownership status (family or not) (Di Giuli and Kostovetsky, 2014; El Ghoul et al., 2016; Zientara, 2017). While the extant literature has addressed the effect of ILs on strategic and economic behaviours, research attention to the association between ILs and CSR is lacking. This highlights an area of examination given the proven differences in CSR, for instance, the difference in socially responsible practices between family and non-family firms.

In this thesis, I address this lack of understanding and examine whether and how the logic orientation of firms influences firm behaviour, emphasising firm social performance as a second consideration. Particularly, building on the ILs perspective, I stress the association between firm logic orientation and CSR. Accordingly, the third empirical chapter – Chapter 5 – uses CSR as an empirical window to examine whether and how the logic orientation of firms affects CSR performance in terms of the rating of firm engagement in CSR, namely the evaluation of how firms perform on environmental, social and governance (ESG) performance benchmarks that incorporate the social and environmental effects of firm practices and decisions. Emphasising the role of ILs in shaping firm practices and decisions, it specifically raises a research question of whether ILs drive firm engagement in CSR.

1 Introduction

The central premises underlying the difference in CSR performance between FLDFs and MLDFs lie in the dark side of SEW (Kellermanns et al., 2012). Stressing the underlying family-oriented facet that underlies the difference between and classification of FLDFs and MLDFs, the priority of SEW preservation presents a family-oriented attitude and preference as opposed to the priority of profitability and shareholders' wealth maximisation. Given the multidimensional character of SEW, the scholars note that SEW dimensions can be both positively and negatively valanced as they associate with pleasant and unpleasant emotions and outcomes regarding firm stakeholders. Therefore, the stressed SEW dimensions are namely contradictory from the perspective of CSR. Such an ambivalent nature of SEW implies its detrimental effects on firm stakeholders in relation to responding to stakeholders' demands and interests differently in a self-serving manner (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014; Zientara, 2017).

This basically addresses the self-serving behaviour of FLDFs that fulfils narrowly defined firm's self-interests related to SEW (Cruz et al., 2014), which results in their discriminatory behaviour towards firm stakeholders in terms of treating internal and external stakeholders unequally and unfairly. In other words, relative to MLDFs, FLDFs carry out social practices and decisions that align with the concern for preserving the SEW of firm's key actors irrespective of the detriments and disadvantages for firm stakeholders. This weakens the proactive stakeholder engagement of FLDFs and challenges their stakeholder management of FLDFs (Berrone et al., 2012; Cennamo et al., 2012; Cruz et al., 2014), undermining the CSR performance of FLDFs. Specifically, stemming from the perspective of SEW preservation, compared with MLDFs, FLDFs selectively and instrumentally implement socially responsible practices, adopting an instrumental (selective) rather than a strategic (normative) approach to CSR (Zientara, 2017).

Moreover, in line with the response strategy of selective coupling perspective (Pache and Santos, 2013), FLDFs consider the interests and demands of firm stakeholders by selectively undertaking purposeful CSR initiatives and activities that primarily obtain (mitigate) gains (losses) of SEW. That is, given the negative valance of the SEW dimensions associated with discriminatory behaviour towards firm stakeholders, stakeholders' concerns and interests are disregarded whenever SEW is exposed to risk (Cruz et al., 2014), purposefully implementing selected social practices and decisions that best fit the firm at the cost of some firm stakeholders. Therefore, unlike MLDFs, FLDFs view CSR as a marketing or public relations instrument, instead of a core business strategy, to fulfil SEW-related interests and concerns. As such, encountering the shadow of SEW's dark side, FLDFs perform differently from MLDFs concerning CSR, namely suggesting a negative effect of the familiness of firms on CSR performance.

The third empirical chapter also investigates the relationship between strategic conformity, as a legitimacy-seeking activity, and CSR. It further examines whether and how the logic orientation of firms affects such relationship as a more subtle and in-depth articulation of firm character – firm logic orientation – in firm practices and decisions, highlighting the moderating role of firm logic orientation. Stressing the firm legitimacy perspective, its fundamental research question particularly is, does legitimacy seeking contribute to CSR performance? In addition, emphasising the implicit role of ILs in driving firm behaviour, it raises another research question of whether ILs condition the impact of firm legitimacy regarding CSR performance.

Mainly, in this thesis, I direct attention to the interplay of firm logic orientation, firm legitimacy and CSR. Stemming from the discrepancy in CSR performance between FLDFs and MLDFs, I shed light on the role of firm legitimacy as an input of firm social performance. Particularly, stressing the firm isomorphism perspective, I emphasise the strategic conformity of firms (Deephouse, 1999; Deephouse and Carter, 2005), as an explanatory factor of CSR performance. In essence, apart from the understanding of CSR as a strategy for achieving firm legitimacy, I address CSR from a distinct perspective – not simply as a legitimacy-seeking activity.

Specifically, I depict CSR as a kind of firm output related to firm social performance that follows social practices and decisions, which ultimately affect society and environment, given the ESG performance benchmarks. Irrespective of the underlying purpose behind firm engagement in CSR, here, the measure of CSR subjectively addresses and evaluates the way firms perform on a number of ESG categories that highlight the ESG strengths and concerns that the firm possesses and encounters, respectively. Accordingly, stressing the perspective of firm legitimacy, I emphasise the effect of strategic conformity on CSR performance.

Both CSR and firm legitimacy stress firm stakeholders as the recipients and social evaluators of firm practices and decisions, respectively. Firm legitimation is a social judgment that infers the social validation of firms conferred by firm stakeholders, who evaluate firm practices and behaviour. It conveys firm approval and acceptance regarding the appropriateness and properness of firm practices and behaviour, which protect the conduct of firms from being mistrusted in accordance with the satisfaction and endorsement of firm stakeholders (Meyer and Rowan, 1977; Suchman, 1995). Thus, firm legitimacy predictably results in valued socially constructed outcomes, including favourable firm reputation and the support of stakeholders (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011), which help firms overcome obstacles and difficulties by creating positive image, facilitating access to fundamental business

resources, both financial and human capital, and granting a long-term relationship with firm stakeholders that ultimately improve the firm competitiveness and survival.

Emphasising CSR performance, such predictable significant consequences of firm legitimacy indicate an upward implication for firms' CSR concerning the evaluation of how firms perform in terms of the social and environmental effects of their practices and decisions. In other words, emphasising the satisfaction and endorsement of firm stakeholders, firm legitimacy prompts the social gains of firms in terms of improving the perception of firms' CSR. Specifically, building on the assumption of institutional theory that isomorphism generates and improves firm legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983), seeking legitimacy through the adoption of isomorphic practices to those of industry peers, namely strategic conformity, has an incremental advantage for CSR performance.

Drawing on the aforesaid difference in CSR performance between FLDFs and MLDFs, they thereby differ in firm legitimacy in relation to firm acceptance and approval regarding the appropriateness and properness of social practices and decisions. Stemming from the SEW preservation perspective, FLDFs confront the shadow of SEW's dark side involving self-serving and discriminatory behaviours that generate poor publicity, negative image and bad reputation for FLDFs concerning firm engagement in CSR, imposing their imprudence, guiltiness and suspiciousness in the eyes of firm stakeholders.

Accordingly, stressing the satisfaction and endorsement of firm stakeholders, the firm legitimacy of FLDFs, in comparison with MLDFs, is lacking given their self-serving behaviour that SEW drives, as well as the resulting discriminatory behaviour towards firm stakeholders (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014), in terms of the discrimination between internal and external stakeholders, and the unequal and unfair treatment of internal stakeholders themselves related to responding to the interests and demands of firm stakeholders distinctly. Therefore, emphasising the discrepancy in firm legitimation between FLDFs and MLDFs, the social gains of firms derived from firm legitimacy differ according to the logic orientation of firms, implying that seeking legitimacy through adopting isomorphic strategies has a substantial incremental value for the CSR performance of FLDFs relative to MLDFs.

The purpose of the above studies is to advance the knowledge of ILs, specifically family and market logics, and expand the understanding of the difference in CG and CSR among firms. Particularly, the overriding objective of this thesis is to provide empirical evidence of whether and how family and market logics affect the firm practices and decisions on CG and CSR. To conduct these studies, I use samples of firms listed on the S&P 1500 index, United States of America (US), in the period of 2006–2016. Mandatory data are retrieved from various

databases, including Compustat, Institutional Shareholder Services, Execucomp, Thomson Reuters, Centre for Research in Security Prices and MSCI. Using the empirical windows of CG and CSR, the findings of these studies provide empirical evidence supporting the notion of ILs as being hidden drivers of firm behaviour relating to the firm culture and nature of running a business. The importance of these studies lies in suggesting a distinct view of the familiness and marketness of firms, identifying and classifying firms based on the embeddedness of family and market logics, which tangibly manifests in actual firm practices and decisions, beyond ownership status (family or not).

In these studies, I mainly show how family and market logics play a latent role in influencing firm behaviour, and as such, differentiating among firms, emphasising the CG and CSR contexts. This implies the importance of the latent institutional factor – firm logic orientation – to better understand firms and by extension firm practices and decisions, at least as much as the facet of ownership status. Looking beyond firm strategies, I specifically shed light on a covert logic-based root; that is, the culture and nature of firms, underlying how firms internally configure businesses in terms of firm practices and decisions, relating to firm governance and engagement in CSR, to deliver their strategies and goals. Given the studies in Chapters 3, 4 and 5, I provide unique, empirical evidence of the association between firm logic orientation – familiness and marketness – and firm behaviour regarding CG configurations, namely the board of directors structure and the design of executive compensation, and CSR performance.

Given the studies of this thesis, I contribute to the ILs, CG, CSR, family business and firm legitimacy literature in different ways. First, I emphasise, define and operationalise family and market logics. Second, I develop and validate a new quantitative measurement of the embeddedness of family and market logics, and I establish an institutional-based classification of firms, identifying and grouping them as FLDFs, hybrid firms or MLDFs beyond the traditional understanding of the types of firms. Third, I introduce the concept of firm logic orientation, particularly the constructs of familiness and marketness, to define and depict the embeddedness of family and market logics by which a firm is driven. Thus, I mainly develop an index of the logic orientation of firms based on real firm practices and behaviour. Fourth, relative to the extant ownership-based studies, I use a different approach to view and determine the familiness and marketness of firms, applying the perspective of ILs to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours irrespective of family ownership status (or not).

Fifth, from an empirical perspective, I report a difference between FLDFs and MLDFs regarding the firm choice of internal CG configurations, highlighting the effect of firm logic

orientation on firm governance. Sixth, I address a contrast between FLDFs and MLDFs concerning the magnitude of CG determinant-configuration relationships, pointing out the influence of firm logic orientation on the CG of firms. Seventh, I highlight a difference between FLDFs and MLDFs regarding CSR performance, addressing the effect of firm logic orientation on firm engagement in CSR. Eighth, emphasising the isomorphism attempts of firms, I shed light on the social gains of firms obtained from firm legitimation, and further, I address a contrast between FLDFs and MLDFs concerning the magnitude of strategic conformity-CSR relationship, highlighting the effect of the logic orientation of firms on CSR performance.

Ninth, I empirically approve and expand the understanding of the implicit role of ILs – family and market logics – as covert drivers of firm behaviour in terms of affecting the setup of firm governance, differentiating the firm choice of internal CG configurations and the effect of established CG determinants on CG configurations among the logic-based groups of firms. Tenth, I empirically show and advance the understanding of the hidden role of ILs –family and market logics – as latent drivers of firm behaviour in terms of influencing CSR performance, differentiating firm engagement in socially responsible practices and the effect of firm legitimacy on the perception of CSR among the logic-based groups of firms. Moreover, in applying the ILs perspective to the contexts of CG and CSR, I thereby provide scholars, policymakers and regulators with a distinct explanation for and advance their understanding of the discrepancies in CG and CSR among firms, helping them better develop future CG and CSR research, policies and regulations. Finally, emphasising a different view of the familiness and marketness of firms to explain the difference in CG among firms, I consider an array of CG variables of the board and executive compensation and several structural constructs of CG determinants.

The thesis is organised as follows: Chapter 2 provides a theoretical background and a review of the literature discussing the perspectives of ILs and SEW. It then discusses the difference between family and non-family firms in terms of CG and CSR. Chapter 3 presents the first empirical chapter, introducing the quantitative measurement of the embeddedness of ILs – family and market logics – and the firm logic orientation index. Moreover, it develops the institutional-based classification of firms and studies the association between ILs and CG in terms of the firm choice of internal CG configurations. Chapter 4 represents the second empirical chapter, investigating the moderating role of ILs in configuring CG. It emphasises a more subtle and in-depth manifestation of firm logic orientation in firm practices and decisions in terms of the relationship between established CG determinants and configurations. Chapter 5 presents the third empirical chapter, studying the association between ILs and CSR in terms of firm engagement in socially responsible practices. Further, it investigates the association between firm legitimacy and CSR, and tests the moderating role of ILs regarding the

relationship between strategic conformity and CSR as a more perceptive and in-depth articulation of firm logic orientation in firm behaviour, addressing an interplay of firm logic orientation, legitimacy seeking and CSR. Chapter 6 provides a conclusion, including the background of the thesis, a summary of the main findings and the implications of the studies conducted.

1.1 An Overview of First Empirical Chapter

The first empirical chapter establishes an institutional-based classification of firms – FLDFs, hybrid firms and MLDFs, emphasising the embeddedness of family and market logics in firm decision making as a distinct manner from the traditional ownership criteria. To accomplish this, a quantitative measurement of the embeddedness of family and market logics is developed, considering several behavioural dimensions that present empirically proven areas of difference between family and non-family firms in terms of firm practices and decisions, in the name of preserving the SEW of key firm actors. Stemming from the intangible construct of ILs, the latent institutional factor of firm logic orientation is presented and emphasised to identify and classify firms, and as such, explain firm behaviour, introducing the constructs of familiness and non-familiness, or marketness. It mainly depicts and defines the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven, presenting a different approach to view and determine family-oriented or not firms, that is, the familiness and marketness of firms, relative to the conventional ownership criteria.

Further, the chapter stresses the influence of ILs – hidden drivers of firm behaviour – through the empirical window of CG, investigating the firm choice of internal CG configurations, given the logic orientation of firms – familiness and marketness. Emphasising whether and how firm logic orientation affects CG configurations, the main hypotheses focus on testing the difference between FLDFs and MLDFs in terms of the structure of the board of directors and executive compensation plan. Specifically, the hypotheses predict that FLDFs will appoint smaller and less independent boards relative to MLDFs. Similarly, they expect that FLDFs will pay lower total, equity-based compensation and bonus and higher salary and cash compensation compared with MLDFs.

A sample is used of 6286 firm-year observations from 987 firms and a sample of 6236 firm-year observations from 971 firms in the period of 2006–2016 for the board of directors and executive compensation analyses, respectively. Generally, the study finds that firm logic orientation explains an extra amount of variation in the firm choice of internal CG configurations. Overall, consistent with the hypotheses, it reports a discrepancy between FLDFs and MLDFs in the board structure concerning board size and independence. It also finds that FLDFs and MLDFs differ in terms of the executive compensation plan, supporting the

hypotheses. Irrespective of family ownership status (or not), it provides empirical evidence of the association between the logic orientation of firms and CG, where the familiness and marketness of firms distinctly affect the firm choice of CG configurations. However, while they differ in terms of some characteristics due to an effect of ILs, firms in a context like S&P 1500 can still have elements of similarity according to the competitiveness of market environment and industry regulations.

1.2 An Overview of Second Empirical Chapter

The second empirical chapter takes a further step of stressing the influence of ILs concerning the relationship between CG determinants and configurations as a more perceptive and in-depth articulation of firm type – firm logic orientation – in firm practices and decisions. Emphasising whether and how the logic orientation of firms influences the effect of established CG determinants on CG configurations, the main hypothesis focusses on testing the positive CG determinant-configuration relationships among the logic-based groups of firms. Particularly, the hypothesis predicts that such a positive relationship will be mitigated in FLDFs relative to MLFDs.

The same samples are used as in the previous chapter. Emphasising the relationship between CG determinants and configurations, the study finds that the firm logic orientations of familiness and marketness have different effects. Overall, considering several constructs of and proxies for CG determinants, it reports that the positive effect of CG determinants on board size, board independence and executive compensation measures is a function of or conditional by the firm logic orientation, consistent with the hypothesis. The study applies an interaction empirical setting to provide empirical evidence that, irrespective of ownership status (family or not), the logic orientation of firms moderates the effect of CG determinants, including firm-specific, managerial and governance characteristics, on the structure of the board of directors and executive compensation design, highlighting the moderating role of firm logic orientation.

1.3 An Overview of Third Empirical Chapter

The third empirical chapter extends the examination of the effect of ILs through the empirical window of CSR, investigating firm social performance among the logic-based groups of firms. Emphasising whether and how the logic orientation of firms influences CSR initiatives and activities, the main hypotheses focus on testing the difference between FLDFs and MLDFs regarding CSR performance in terms of the rating of firm engagement in CSR. The hypotheses suggest a worse performance of FLDFs compared with MLDFs. In addition, stressing the role of firm legitimacy as an input of firm social performance, they propose a positive relationship between strategic conformity – a legitimacy-seeking activity – and CSR in terms of improving the perception of the CSR of firms. Further, emphasising whether and how the logic orientation

of firms affects the relationship between strategic conformity and CSR, the hypotheses focus on testing the positive strategic conformity-CSR relationship as a more subtle and in-depth manifestation of firm character – firm logic orientation – in firm behaviour, expecting an amplified relationship in FLDFs relative to MLDFs.

A sample of 3984 firm-year observations from 784 firms in the period of 2006–2013 is used. Generally, the study finds that the firm logic orientation explains an amount of variation in CSR performance in terms of the rating of firm engagement in CSR. Overall, supporting the hypotheses, it finds a difference between FLDFs and MLDFs regarding socially responsible practices, emphasising the evaluation of how firms perform on the ESG performance benchmarks. Regardless of family ownership status (or not), it provides empirical evidence of the association between firm logic orientation and CSR.

In addition, it reports a significant positive effect of strategic conformity on CSR performance, consistent with the hypotheses. Stressing the interplay of firm logic orientation, legitimacy seeking and CSR, it also finds that the firm logic orientations of familiness and marketness have different effects on such a relationship. Generally, it reports that the positive strategic conformity-CSR relationship is a function of or conditional by the firm logic orientation, supporting the hypotheses. The study applies an interaction empirical setting to provide empirical evidence that, apart from ownership status (family or not), the firm logic orientation moderates the effect of firm legitimacy on the perception of firms' CSR, addressing the moderating role of firm logic orientation.

2 Theoretical Background

2.1 Introduction

Firms exist and operate in a specific context and they have been subject to academic research and studies focused on their regulatory and institutional environment. Based on the classification of firms emphasising their ownership status (family or not), the extant research has highlighted how family firms exhibit distinct strategic choices and managerial decisions relative to non-family firms regarding firm practices and behaviour. This has prompted a wealth of research on key firm aspects and explanatory factors of differences in firm behaviour. This chapter looks at the theoretical background underpinning research on family firms and proceeds as follows: Section 2.2 reviews the institutional research in relation to the institutional theory and firm isomorphism perspectives. Section 2.3 discusses the perspective of ILs. Section 2.4 reviews the family business literature regarding the SEW perspective. Sections 2.5 and 2.6 review the academic studies of CG and CSR, respectively. Finally, Section 2.7 concludes the chapter.

2.2 Institutionalisation

Firms are part of a bigger framework that determines their dimension and shape. They exist and operate within an institutional environment that affects them in various ways. Filatotchev and Nakajima (2010) assert that organisational behaviour and features are interdependent with the institutional environment. According to He et al. (2007), such an environment comprises a variety of main institutions that determine firms' actions, influencing the outcomes and effectiveness of firms in turn. Accordingly, firms cannot be isolated from these institutions. In other words, neglecting the presence and power of the institutional environment would mean ignoring significant 'causal factors' that shape firm practices and decisions (Scott, 1987). Understanding the concept of the institutional environment and the role of the institutions involved necessitates paying attention to the fundamentals of institutional theory. The traditional perspective of institutional theory assumes the prevalence of isomorphic firms that eventually look and perform similarly, a key assumption of institutional theory that raises many questions and arguments.

2.2.1 Institutional Theory

The institutional environment is characterised by the expansion of rules and requirements with which firms are supposed to comply to obtain support and achieve legitimacy conferred by the institutional environment's referents (Scott and Meyer, 1983). Scott (1987) notes that these environments and the ways in which they are characterised have become increasingly

significant in the literature due to their influence on firm behaviour. Symbolism has emerged as a particular area of interest given the fact that every social system is associated with an institutional environment that dictates the common social reality maintained within that system. This is manifested inside firms as social systems.

Institutional theory has played a crucial role in addressing the link between firms and the institutional environment in which they exist and operate. In doing so, earlier theorists shed light on the definition of institutionalisation. Selznick (1957) describes institutionalisation as an adaptive process that occurs to firms over time, where firm practices and structures are influenced and shaped in reaction to the external environment. Additionally, Berger and Luckmann (1967) state that institutionalisation occurs when shared and repeated actions are assigned similar meanings that create 'social order' over time.

In comparison, another version of institutional theory states that institutionalised beliefs ultimately determine a firm's structure, its formation and evolution, which aligns to shared belief system or the theory of 'rational myths' outlined by Meyer and Rowan (1977). This approach focuses more on a belief system that originates from multiple forces, applying meaning to social functions and objectives through objective interpretations that outline the correct framework within which goals are achieved in a 'rule-like' way. Therefore, the various processes, systems, structures, practices and functions within a firm can be attributed to the nature and features of its institutional environment. According to Meyer and Rowan (1977), these features represent the intangible, related to culture and nature, yet solid institutional framework upon which the firm operates and behaves. The knowledge acquired by the institutions at large is thus filtered down to firms that are inferior to the greater institutions that enforce the rules and norms created in accordance with national or global regulations (Zucker, 1987).

2.2.2 Institutional Rules & Firm Isomorphism

The institutions of the institutional environment impose the 'rules of the game', including both formal and informal rules and norms that shape and constrain firm behaviour, practices and relationships (North, 1990). Meyer and Rowan (1977) note that the strategies, procedures, programs and policies of firms are manifestation of powerful and impactful rules that function as rationalised myths. From an institutional theory perspective, a firm's ability to survive is determined not only by its management and performance of daily operations but also by other elements. In running the firm business, firms must be able to access the mandatory resources they require while also being perceived as legitimate by institutions' referents.

In the context of institutional theory, firm legitimacy is primarily achieved through isomorphism via adopting the institutional rules and norms as taken-for-granted standards and

prescriptions (Scott and Meyer, 1983; Suchman, 1995; Deephouse, 1999). As Hirsch (1975) points out, this is dependent on the firm capacity and willingness to adopt such rules and managers' ability to conform to them. Meyer and Rowan (1977) assert that firm isomorphism or compliance with the institutional environment results in dependence on externally fixed institutions, diminishing the turbulence and maintaining the stability of firms.

Therefore, firms tend to comply with the institutional rules and norms due to the firm opportunity to obtain legitimacy, gain support, enhance stability, cross borders and access important resources. Institutional rules and norms incorporate the proper principles of organising and the standards of evaluation (Hinings and Greenwood, 1988). Thus, conformity to such principles and standards increases the chances and capabilities of firms for competitiveness and survival (Joel and Oliver, 1991). Additionally, Berger and Luckmann (1967) suggest that firm isomorphism can occur as a result of firms' roles as mirrors of the social world in which they operate; whatever the nature of the social world, it will be the nature of firms. Therefore, firms not only interact with the institutional environment as an external factor but also embody the nature and features of the environment within firm practices and decisions.

Research has been conducted on the different processes that create isomorphic firms, including the widely recognised model of firm isomorphism, which incorporates coercive, mimetic and normative processes (DiMaggio and Powell, 1983). In this perspective, the institutionalisation of firms refers to the processes and means that cause a firm to amend or adjust its structure to become isomorphic or comply with the institutional environment (Scott, 1987). According to Zucker (1987), the sources of institutionalisation are classified into three types. First, an external source of institutional elements regrading structures, actions and practices is imposed on firms by the wider institutional environment (coercive). Second, other firms, competitors, develop administrative and technological innovations that may become institutional elements (mimetic). Third, an internal firm structure that is characterised by repetitive tasks, creating routines that eventually represent taken-for-granted institutional elements (normative). Based on their individual interests and ways to share their institutional elements, institutions differ in their approach to institutionalisation.

2.2.3 Myth of Isomorphic Firms

While it has been suggested that firm conformity to institutional rules and norms takes place as a result of coercive, mimetic and normative processes (DiMaggio and Powell, 1983), this overlooks the issues of change and diversity within firms (Scott, 1987). It is believed that isomorphic firms demonstrate similar performance based on their presumably uniform, institutionally driven firm practices, actions and structures. However, whether or not isomorphic firms and performance practically exist is a viable question. Powell (1991) notes that the

reasoning for the evolution of institutional norms and rules is scarcely addressed in institutional theory, despite the fact that such norms can only change as a result of existing diversity. Moreover, as Hinings and Greenwood (1988) and Powell (1991) suggest, adherence to institutional norms and rules reduces the diversity of firms operating within a given field while also greatly restricting the ways in which firms are able to operate. Scott (1987) and DiMaggio (1988) also note that this minimises the significance of active agency and the financial performance of firms.

Although firms seek legitimacy and access to the business resources required for their competitiveness and survival, they are actually unlikely to be similar and restricted concerning firm practices and decisions. The way in which individual firms define effectiveness and efficiency also varies based on the field to which they belong. Therefore, performance standards and evaluations are institutionalised according to firms' specific areas of business (Hinings and Greenwood, 1988). In other words, acceptable performance is a relative notion (Kondra and Hinings, 1998). From the perspective of diversity and agency, performance is defined differently among firms and thus cannot be isomorphic. Firm performance represents the ultimate result of a chain of decisions made within firms in which different key firm actors play a role and make idiosyncratic choices. As such, practices, decisions, and in turn, performance and evaluation vary among firms.

The basis of this argument is contrary to the main assumption of isomorphism promoted by the traditional institutional theory. According to institutional theory, as firm performance is constrained by institutional norms and standards, firms become increasingly similar (Kondra and Hinings, 1998). However, as Kondra and Hinings (1998) point out, to prevent firms from freezing in time, they must be allowed to change and diversify, which institutional theory tends to overlook. Therefore, as Oliver (1992) and Greenwood and Hinings (1996) suggest, institutional theory must be expanded to incorporate these points. The paradigm must furthermore demonstrate greater flexibility to provide reasons for the evolution of institutional norms and the diversity of firms.

2.3 Institutional Logics

Given the discrepancies among firms regarding practices and behaviour, firms make strategic choices and managerial decisions in accordance with their interests, preferences, guidelines and goals. As a function of the presence and power of the institutional environment in which they exist and operate, firms' commitment or adherence and response to institutional norms and rules are unlikely to look alike. Because of the different, key institutions within the institutional environment, the responses of firms to their contexts are not likely to be isomorphic or uniform (Greenwood et al., 2010).

Here is where Friedland and Alford (1991) introduce the concept of ILs to further develop this viewpoint. In the perspective of ILs, firms exist and operate in a society that consists of multiple societal sectors or institutions. Each institution has a core logic that defines its belief system and provides the guidance of firm actions in terms of prescribing acceptable behaviour and the means to achieve it – material practices and symbols (Thornton, 2004). This drives firm decision making and shapes firm behaviour as a result (Thornton and Ocasio, 2008; Greenwood et al., 2011). Therefore, drawing on the ILs perspective, in this thesis, I emphasise that ILs as latent drivers of firm behaviour contribute to distinct firm practices and decisions, prompting an area for investigation.

Therefore, in contrast to the key assumption of institutional theory on isomorphism, it is contended that that firms vary in terms of their motives, objectives and essence related to the ILs embedded in firm decision making and covertly driving firm behaviour, thereby shaping firm practices an decisions. Specifically, stemming from the perspective of ILs, firms act distinctly by evaluating their choices, making beneficial decisions and effectively employing their own resources, capabilities and competences in alignment with their interests, preferences and goals. That is, they do so in the way that best fits and makes them comparatively and competitively different, highlighting the distinct culture and nature of firms (Meyer and Rowan, 1977; Danisman et al., 2006).

Considering the different kinds and extents of pressures and demands exerted by institutions in terms of the institutional norms and rules that firms confront, namely ILs, in this thesis, I stress that firm diversity and variation are attributed to the right of decision making held by and the idiosyncratic strategic choices of key firm actors. Therefore, given the implicit role of ILs, the ILs embedded in firm decision making are essential to determining firm practices and behaviour, which ultimately influence firm performance and drive the differences among firms.

2.3.1 Diversity of Firms

During the 1980s, the emphasis on society-based isomorphism was replaced with a greater focus on firm-level isomorphism (DiMaggio and Powell, 1983). This research has contributed significantly to furthering empirical exploration, defining isomorphism as a phenomenon derived from coercive, normative and mimetic sources. Mimetic isomorphism has been highlighted as the primary perspective of cognition's influence, with emphasis placed on irrational, mindless behaviour in response to cultural rationalisation (Thornton and Ocasio, 2008). The concept of 'new institutionalism' has emerged as a result, in which firm structure stems from the process of challenging rationality. During this time, firm performance has been explained less in terms of efficiency and more in terms of legitimacy (Tolbert and Zucker, 1983). Thereby, a new school of thought has emerged in institutional research that asserts that

institutional meaning and attributes are the result of ILs (Friedland and Alford, 1991; Thornton and Ocasio, 1999).

Comparing the new school of thought to the previous approach (e.g., Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Powell and DiMaggio, 1991), controversy is seen in the ways that firm practices and processes are driven by cognitive structures and cultural norms. The main difference is comprised of isomorphism becoming less of a major focal point on the field, societal and global levels. Instead, focus shifts to the influence of ILs on firms and members at the firm, industry, market and other levels. The concept of ILs has been used to explain the diversity of firms and how they react differently to the institutional norms and rules of the institutional environment (Friedland and Alford, 1991).

As Thornton (2004) assert, society comprises multiple institutional orders or institutions; each has a central logic composed of both material practices and symbols that embrace its ongoing principles that are available to individuals and firms to elaborate. As Thornton and Ocasio (2008) note, ILs provide a link between institutions and social actions. According to Thornton (2004), the main institutional orders of society are the market, family, professions, corporations, religions and the state as non-market institutions.

Friedland and Alford (1991) introduce the notion of ILs to refer to the conflicting belief systems and actions demonstrated in contemporary Western institutions. ILs represent a new approach to institutional analysis, where the focus is no longer on isomorphism, whether in the world system, through society, or on the firm level. Instead, the ILs perspective directs attention to the effect of different logics implicitly embedded in firm decision making on individuals and firms in a larger variety of contexts (Thornton, 2004). The scholar asserts that ILs shape rational, mindful behaviour as opposed to the irrational, mindless behaviour that the assumption of isomorphism promotes.

According to Thornton (2004) and Greenwood et al. (2010), ILs mainly provide the ‘master principles of society’, and as such, ‘guide social action’. In other words, they present taken-for-granted resilient, social prescriptions that help make sense of firm practices and behaviour. Specifically, ILs put forward the ‘assumptions and values, usually implicit, about how to interpret organisational reality, what constitutes appropriate behaviour, and how to succeed’ (Thornton, 2004, p.70). Accordingly, they characterise unquestioned, readily accepted social norms and standards that shape the meaning individuals and firms apply to the world, forming a basis for their social actions and behaviour as taken-for-granted prescriptions.

Greenwood et al. (2010) discuss various researchers’ definitions of ILs, including the definition of ILs as ‘symbolic systems, ways of ordering reality…thereby rendering experience of time and space meaningful’ (Friedland and Alford, 1991, p.243); as ‘the formal and informal

rules of action, interaction, and interpretation that guide and constrain decision makers' (Thornton and Ocasio, 1999, p.804); and as 'the axial principles of organisation and action based on cultural discourses and material practices prevalent in different institutional or societal sectors' (Thornton, 2004, p.2). Therefore, ILs become the basis of strategic choices and managerial decisions, and as such, firm practices adopted within firms as well as the forces that validate them. As Greenwood et al. (2010, p.521) assert, 'organisational forms and managerial practices are manifestation of, and legitimated by, ILs.' Accordingly, the exploration of the association between ILs and firms concerning firm practices and decisions is of high importance for determining why and the ways in which firms demonstrate the same or different firm behaviour (Greenwood et al., 2010).

According to Greenwood et al. (2010, p.522), 'logics underpin the appropriateness of organisational practices in given settings and at particular historical moments.' Further, Washington (2004) and Reay and Hinings (2005) confirm that firms tend to be characterised by facing numerous ILs that frequently oppose one another and that are also dependent on specific points in time and environmental contexts. Friedland and Alford (1991) also assert that firms adopt the norms and prescriptions outlined by logics in a manner suiting their own interests, needs and purposes regarding their practices and decisions. Similarly, Thornton and Ocasio (2008, p.101) note that 'these practices and symbols are available to individuals, groups, and firms to further elaborate, manipulate, and use to their own advantage.' Relatedly, Greenwood et al. (2010) state that negative outcomes likely arise if firms do not adopt the practices prescribed and accepted by the relevant logics. For instance, a decline in share price has been identified as a consequence of a firm practice justified in a way that was not widely accepted (Zajac and Westphal, 2004).

2.3.2 Institutional Complexity

Because ILs refer to a set of belief systems, values, symbols and associated practices, Reay and Hinings (2009) state that ILs represent 'the content and meaning of institutions.' A variety of institutions comprise the context in which firms exist and operate (Thornton, 2004). Each of these institutions imposes its pressures and demands in terms of the resilient prescriptions and guidance that present its ongoing principles, which collectively define the underlying logic. This causes firms to encounter a complex institutional context where institutions exert contradictory prescriptions and pressures: ILs (Reay and Hinings, 2009). Thornton (2004) asserts that institutions follow a hierarchical order that runs from the market to the firm at the lower end of the scale, followed by the industry or field, and then family, religion and the state. Thornton's (2004) work is the most extensive representation of the 'nested hierarchy' and it sheds light on the numerous societal sectors or institutional orders, with each

having a central logic manifested in the values, symbols and material practices elaborated by key firm actors.

Accordingly, ranging from market to non-market logics, the multiple ILs imposed by institutions create the 'arenas of contradiction' that firms confront and manage (Pache and Santos, 2013). Therefore, as Danisman et al. (2006) point out, firms may embed one main culture or nature that reflects a 'dominant' logic at the firm level, though a 'subdominant' logic may also exist within specific departments or occupations or as an alternative culture within the firm. According to Hinings (2012, p.99), recent studies have suggested that 'organisations can hold two or more logics at same time and find ways to ensure that they do not compete with each other or come into conflict.' However, although there is general acceptance that multiple ILs can coexist and compete, 'there is a fairly strong sense that one logic will be dominant over another,' which primarily drives firm behaviour covertly (Hinings, 2012, p.98).

ILs help interpret organisational reality and identify what constitutes appropriate behaviour and how to attain it successfully (Thornton, 2004). Firms thus adhere to the prescriptions and guidance that ILs provide to act confidently and consequently achieve legitimacy, support and ensure their competitiveness and survival. However, scholars such as Friedland and Alford (1991) and Kraatz and Block (2008) have asserted that firms tend to operate within an institutional environment that is characterised by the existence of numerous contradictory ILs. Regarding the presence and power of different institutions, the multiple logics can be but are not always compatible. When incompatible or perceived as such, this creates a conflict and issues for firms embedding the prescriptions and guidance of such logics, indicating the rise of institutional complexity (Thornton, 2002; Reay and Hinings, 2009).

Thornton (2004) points out that the multiple coexisting logics bring 'rivalry to the force' and generate conflicting determinants of firm legitimacy and support. Therefore, the way in which this scenario can exist alongside a stable workplace environment for firms remains to be questioned. As such, in this thesis, I emphasise investigating the ways in which ILs are embedded in firm decision making, managed and dealt with in relation to firm practices and decisions. Drawing on the institutional complexity perspective, the contradictory pressures and demands imposed by ILs create difficulty in predicting and understanding firm behaviour, triggering an interest in examining the role of ILs. Therefore, in this thesis, I primarily stress further investigation of the way that firms embed and react to ILs concerning firm practices and behaviour. As Greenwood et al. (2011) assert, firms do not always commit to ILs that interact harmoniously with one another. Accordingly, the challenges that firms confront become exaggerated as incompatibility increases between the logics to which firms are exposed.

2 Theoretical Background

The literature began to change significantly in approach during the early 1990s when the concept of ILs garnered attention, specifically in terms of the argument that logics tangibly manifest within firms in the form of practices and decisions. Thornton (2004) notes that society is made up of multiple interdependent yet also conflicting logics comprising the core of the main market and non-market institutions. Therefore, firms confront institutional complexity as it arises from the contradictory pressures and demands that ILs impose. However, Greenwood et al. (2011) assert that firms experience institutional complexity to varying extents and kinds based on their characteristics and positions within the field to which they belong.

Specifically, some ILs may influence firms more/less significantly than others due to firm attributes, such as firm identity, governance, ownership and structure, which serve as 'organisational filters', filtering the pressures and demands imposed by multiple, typically competing, logics that firms encounter. In other words, given the institutional complexity, Greenwood et al. (2011) point to that external pressures and demands do not affect all firms equally; however, they pass through organisational filters enacted by the characteristics of firms themselves. Therefore, firms commit to, prioritise and embed logics in firm decision making differently, contributing to the distinct practices and behaviour of firms. That is, stemming from the process of filtering the pressures and demands that firms confront, such organisational filters justify how and why firms behave differently.

As Greenwood et al. (2011) state, the number of logics to which a firm is exposed, and the degree of their incompatibility play a role in determining the extent of the institutional complexity encountered. It is thus plausible to state that firm compliance with or commitment to ILs and response to institutional complexity are likely to vary due to firms experiencing institutional complexity differently. Greenwood et al. (2010) also assert that the way in which firms respond and commit to ILs is determined by how receptive and sensitive they are to such logics. Given that firms operate within a pluralistic institutional environment where they experience institutional complexity differently, each firm demonstrates its idiosyncratic choice concerning firm adherence and commitment to ILs, which implies a range of organisational responses (Greenwood et al., 2010; Greenwood et al., 2011; Pache and Santos, 2013).

While the ILs of society's core institutions constrain both the means and ends of behaviour (Friedland and Alford, 1991), Thornton and Ocasio (2008, p.101) note that 'they also provide sources and opportunity of agency and change.' Primarily, the contradictions inherent in different ILs may create great room for choice and various opportunities for firms to make various decisions that are unlikely to be uniform among firms. Accordingly, the commitment and adherence of firms to receptive institutional demands and pressures regarding the prescriptions and guidance that ILs provide essentially influence their decision making related

to firm practices and behaviour. Building on the perspective of ILs, the strategic choices and managerial decisions made within firms drive firm behaviour differently, affecting firms' performance outcomes. Highlighting the impact of ILs on firm culture and nature, the ILs perspective primarily emphasises that it is within the dominant logics that firm practices, interests and value systems are found (Thornton, 2002; Thornton, 2004; Greenwood et al., 2011).

Friedland and Alford (1991) and Thornton and Ocasio (1999) suggest that it is the interaction between institutional structure and individual agency that leads to results being achieved, consequences being realised and decisions being made. The prevailing ILs would support and limit participants' ability to fulfil their own interests, climb hierarchies, obtain authority and enjoy both financial and non-financial benefits. Seo and Creed (2002) and Greenwood and Suddaby (2006) name this theory 'embedded agency.' When analysing social action and structure, Friedland and Alford (1991) note that the embedded agency perspective assumes societal institutions, firms and individual actors have a certain degree of freedom or free will. Accordingly, firm compliance with or commitment and response to ILs vary among firms. Thus, the scholars suggest that there is a need to identify all ILs that firms embed in their decision making so that a better understanding can be achieved of how firms differ in complying with and responding to such logics in relation to firm practices and behaviour. This would help provide further insight into the ways in which firms, ILs and institutions are interrelated (Greenwood et al., 2010).

2.3.3 Firm Response Strategies

The existence of multiple central institutions, each with its own core logic, increases the complexity of the institutional context where firms exist and operate. However, given the multiplicity and incompatibility of ILs, firms experience such complexity in different extents and kinds. Accordingly, this results in a distinct commitment and response of firms to ILs. Specifically, based on firm interests, preferences and goals, key firm actors opt how to prioritise, manage and respond to the institutional demands and pressures imposed by ILs regarding their prescriptions and guidance of actions. Therefore, how they adhere and respond to such logics represents a pivotal factor that explains subsequent firm practices and behaviour.

In their study of competing ILs and firm responses, Pache and Santos (2013) posit that firms make the strategic choice of their response strategy to deal with the various demands and pressures of multiple, contradictory logics. Inside firms, a certain response strategy is thus adopted and reveals a specific commitment to ILs. The scholars also summarise the strategies that firms adopt in response to ILs: decoupling, compromising and selective coupling. These response

strategies demonstrate that firm responses are essentially made in alignment with firms' needs to obtain greater legitimacy and support from the different institutions' referents.

Bromley and Powell (2012) explain that the term decoupling has historically represented the ways in which firms keep their operational structures independent of their prescriptive and normative structures. By decoupling, firms pretend to confirm to the meaning and prescriptions defined by certain logics, whereas they do not actually implement and embed them at their operational level. Thus, as Tilcsik (2010) states, firms tend to take steps to create a distinction or separation between the way in which they behave and the way in which they openly support specific prescriptions. By adopting decoupling response strategy, it is anticipated that firms will carry out practices that comply with the logic that most likely helps the firm meet its interests, goals and preferences. In essence, by decoupling, firms tend to deviate or depart from the expectations and demands imposed by a prevailing logic if they are incompatible with firm interests, priorities and goals. However, to be adopted, the response strategy of decoupling requires the consensus and defence of firms' key actors, as firms could be penalised by the respective institutional referents if detected.

In the case of firms dealing with conflicting logics, Oliver (1991) and Kraatz and Block (2008) suggest that compromising can be an effective alternative response strategy. It can also be useful for firms to take steps to address and minimise the pressures that arise from such contradictions among logics. Oliver (1991) explains that the response strategy of compromising entails efforts made by firms to adjust the standards, policies and guidelines prescribed by ILs to create a new logic or approach that contains elements desired by both the external institutional environment and internal members or objectives. This can be achieved in various ways, including compliance with basic criteria, the creation of a new approach that partially supports all requirements but not a single requirement fully or the negotiation of a new agreement with institutional referents. As such, relative to the decoupling response strategy, the compromising response strategy is considered costly in terms of time and effort.

Alternatively, Pache and Santos (2013) state that it is uncommon for firms to decouple their formal and operational structures. The scholars assert that compromising is also uncommon. Instead, their findings show that most firms attempt to selectively couple specific elements of each logic and fulfil the associated demands and pressures. According to Pache and Santos (2013, p.994), the response strategy of selective coupling specifically represents 'purposeful enactment of selected practices among a pool of competing alternatives.' Similarly, Greenwood et al. (2011) and Tracey et al. (2011) suggest that firms adopt strategies that work by combining or balancing and enacting elements of different, typically competing, logics in response to the raised institutional complexity, which challenges the work of earlier institutional

scholars on decoupling and compromising. The act of selective coupling entails firms' decisions on implementing certain practices prescribed and underlined by different ILs rather than supporting a single logic or adjusting the prescriptions and guidelines of multiple logics.

Furthermore, Oliver (1991) claims that selective coupling response strategy may be more effective than compromising and other response strategies adopted by firms. Battilana and Dorado (2010) explain that this is due to the ability of selective coupling as a response strategy to mitigate the need of firms to negotiate or create new practices that partially fulfil conflicting demands and pressures without fully appeasing the corresponding institutional referents. Because the response strategy of selective coupling can be achieved without involving employees and managers in bargaining or creating new processes, it may be more cost effective than a compromising response strategy. Therefore, the response strategy of selective coupling can be considered a more feasible option for firms with less financial room to play with (Pache and Santos, 2013). Firms are thus able to avoid the expenses and challenges associated with compromising or decoupling while still addressing the conflict between different ILs.

2.4 Socioemotional Wealth

A growing stream of family business literature has established that relative to non-family firms, family firms represent a distinct business setting that differs in significant aspects regarding strategic choices and managerial decisions. According to Gomez-Mejia et al. (2011a, p.655), 'family embeddedness gives these firms their distinctive flavour as reflected in several dimensions.' Justifying the different nature of family firms, attention has increasingly been directed to the non-economic utilities derived by family shareholders and/or managers from the firm as a key distinguishing factor. Gomez-Mejia et al. (2007) label such non-economic utilities 'SEW,' developing the increasingly popular concept of SEW that characterises family firms as opposed to non-family firms.

Building on the foundations of family business research, the scholars (e.g., Gomez-Mejia et al., 2007; Berrone et al., 2010; Gomez-Mejia et al., 2010; Gomez-Mejia et al., 2011a) have suggested the notion of SEW as a latent explanatory construct of empirical studies, a concept originating from behavioural agency theory to explain the discrepancy between family and non-family firms concerning their practices and decisions. In the SEW perspective, 'family firms are typically motivated by and committed to the preservation of their SEW, referring to non-financial aspects or affective endowments of family owners' (Berrone et al., 2012, p.259). This sheds light on a family-oriented attitude and preference in terms of the priority of SEW preservation that uniquely characterises family firms relative to their counterparts.

Family shareholders and managers closely identify themselves with and emotionally attach to the firm, implying the non-economic benefits or what they refer to as SEW tightly

linked to the firm. Therefore, apart from the financial wealth and benefits, it is crucial for family members to preserve or extend the different dimensions of SEW derived from the firm, including authority, control and power, job security and protection, identification in terms of prestige, image and reputation, as well as social ties and business networks. Therefore, they strive to maintain control, power and authority over the firm, keep a positive image, favourable reputation and prestige, ensure job security and protection, uphold social ties and business relationships, as well as sustain the family legacy for future generations and retain family values, nepotism and altruism that permit the financial and non-financial wealth of family members (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a).

Accordingly, concerning making strategic choices and managerial decisions, family firms are primarily concerned about preserving the SEW of family members, where they avoid undertaking firm practices and decisions that threaten SEW. Thus, as mentioned above, the SEW preservation indicates an essential differentiation point between family and non-family firms, capturing the family-oriented attitude and preference. Specifically, Berrone et al. (2012, p.258) assert that 'SEW is the most important differentiator of the family firm as a unique entity and, as such, helps explain why family firms behave distinctively', addressing the uniqueness of family firm behaviour. This highlights the role of the affective endowments derived from the firm in moulding firm practices and behaviour, and as such, differentiating between family and non-family firms.

To study firms' risk-taking decisions, Gomez-Mejia et al. (2007) apply a behavioural agency model to the case of SEW in studying the firm behaviour of Spanish olive oil mills. According to this model, the strategic choices and managerial decisions of firms are viewed as a range of alternatives that vary in the potential gains or losses per a core reference point. Key firm actors weigh the perceived benefits and costs per such a reference point based on a 'subjective evaluation of what is important to their welfare, what is already accrued and what can be counted on' (Gomez-Mejia et al., 2011a, p.658). Family firms primarily use SEW, regarding the non-economic benefits of family members, as a main reference point to frame firm opportunities, problems and issues and undertake firm practices and decisions accordingly. Therefore, based on the potential gains or losses of SEW, family firms make strategic choices and managerial decisions that ensure preserving the non-economic utilities attached to the firm.

Family firms prefer to avoid the loss of SEW even if it entails bearing a higher business risk (Gomez-Mejia et al., 2007). Thus, the preservation of SEW overlooks the financial contributions and consequences as long as the prospective firm practices and decisions expose SEW to risk, essentially deviating from the economic logic of running a business. According to Gomez-Mejia et al. (2011a, p.659), 'the pursuit of non-financial utilities, […] family's SEW,

can best capture the family firm's uniqueness and thus serve as a unifying analytical perspective to explain differences in managerial choices.'

Therefore, defining and depicting a family-oriented attitude and preference, in this thesis, I purport that SEW is a suitable and insightful basis to use in differentiating among and classifying firms. Given the difference between family and non-family firms in firm practices and decisions, the construct of SEW provides a vital foundation for detecting family – and by default non-family – firm-like behaviour among firms. SEW is the most prominent aspect of family-oriented identity, and as such, portrays a latent explanatory factor of the distinct behaviour of family firms in comparison with non-family firms (Berrone et al., 2012; Cruz et al., 2014). A growing body of research has shown the major differences in the firm practices and decisions of family firms compared with their counterparts, implying a different approach to business (e.g., Chen et al., 2010; Gomez-Mejia et al., 2010; Greenwood et al., 2010; Gomez-Mejia et al., 2011b; Martin et al., 2016). As Gomez-Mejia et al. (2011a, p. 658) state:

> The differences between family and non-family firms manifested in the research cannot be easily reconciled with an economically driven logic and may be better explained by a SEW preservation logic on the part of family members.

Particularly, the preservation of SEW outweighs the pursuit of financial gains if undertaking certain firm practices and decisions exposes SEW to threat. This implies that the SEW preservation can be in contrast to the primary economic business objective of profitability and shareholders' wealth maximisation – an economic logic of firm decision making.

2.5 Corporate Governance

2.5.1 Agency Theory

The founders of firms possess full control and ownership of the firm, passing it down to future generations. Such system evolves with the growth of firms, separating ownership and management in large firms. This results in shifting the control from entrepreneurs to hired, professional managers as the ownership becomes dispersed among many shareholders – an atomistic ownership (Davis and Thompson, 1994). As Bricker and Chandar (2000) point out, it is proposed legally that the maximisation of returns for the benefit of shareholders, in relation to their financial wealth, is the core economic business objective of firm operations, which indicates legal support for the separation of ownership and management. When ownership and management are separated, an agency relationship emerges. Jensen and Meckling (1976) define the agency relationship as a contractual relationship wherein an agent is granted a certain degree of decision-making power and requested to carry out operations and activities on behalf of the owners or shareholders.

2 Theoretical Background

Fama (1980) explains that owners hire decision-making specialists and professional managers as agents who are required to make decisions that facilitate the greatest return for the best interests of shareholders. Therefore, the agency relationship is created when the accountability for decision making is delegated to one or more individuals by another, particularly in exchange for payment and privileges. Agents are hired on account of their qualifications and expertise in making sound judgements regarding the business and are assigned the role of making all key decisions for the firm. Otherwise, owners can run the risk of making ineffective strategic decisions if agents do not possess the knowledge and skills required to effectively manage and direct the firm in terms of its strategic directions, the use of firm resources and control.

Emphasising the context of family businesses, the separation between ownership and management is less prominent in most family firms, compared with non-family firms, as the same individual(s) usually both own and manage the firm. According to Anderson and Reeb (2004), firm performance is stronger amongst family-owned firms that appoint a family member as the CEO rather than a non-relative. Redding (2002) states that the most probable reason for such higher performance is that these firms operate with the goal of maintaining the benefits, both financial and non-financial, of family members who usually concentrate their wealth in and closely identify themselves with a single family business.

However, firms manged by family members are associated with two main agency-related issues that need to be addressed and overcome as the business expands (Lee and Yeh, 2004). The first issue is that family firms eventually need to hire outsiders who are not relatives to obtain the necessary managerial expertise, manpower or skills that the business requires to succeed as it grows, implying an agency relationship that gives rise to a potential agency conflict. The second issue is that a portion of family ownership may need to be sacrificed to acquire more capital to fulfil growth needs and requirements, raising issues related to the minority owners' rights and how they can be best protected.

The literature has presented numerous agency problems associated with businesses today. In most cases, these issues follow the separation of ownership and management (Peng, 2004). They specifically arise from the fact that first, shareholders often have little impact on the operations and activities of major public firms due to asymmetric information, and second, there is a lack of common objectives and interests between shareholders and agents, which suggests an opportunistic behaviour of managers. Managerial opportunism, therefore, implies the self-interests and self-serving behaviour of managers that emerge from the separation of ownership and management when the interests of agents and shareholders, also referred to as principals, are not aligned (Hitt et al., 2007), creating a principal-agent conflict (Type I agency problem). The opportunistic behaviour of managers cannot typically be predicted, even by reputation; until

a manager behaves in an opportunistic way, it is not possible to determine the opportunism of the manager.

According to Jensen and Meckling (1976), agency theory mainly applies the notion of contracts as symbols of the agency relationship itself, where agency theory emphasises the principal-agent conflict and the identification of specific contracts offering the greatest level of efficiency in the governance or control of agency relationship (Eisenhardt, 1989). Agency theory is primarily concerned with business, contractual relationships that reflect the fundamental nature of the principal-agent relationship, wherein the parties do not share the same level of risk aversion or the same objectives but are involved in collaboration.

In other cases, agency problems arise from the presence of majority, controlling shareholders who can control firms' decision making and objectives, and perhaps overlooking the interests of minority, non-controlling shareholders. This suggests the rise of a principal-principal conflict (Type II agency problem). Exerting significant influence, power and control over the firm via ownership and/or voting rights, majority shareholders can pursue different goals, preferences, concerns and interests at the expense of minority shareholders. A principal-principal conflict implies imposing costs on non-controlling shareholders that can take the form of sacrificing their overall returns to and expropriating their wealth by controlling shareholders. Therefore, addressing the two key, agency-related issues arising within business relationships represents the core of agency theory for which the protective CG configurations have come into play to govern or control firms.

2.5.2 Corporate Governance Configurations

From a firm perspective, CG refers to the control system by which firms are guided, directed and held responsible regarding their strategic directions and the use of business resources for the best interests of shareholders (Fama and Jensen, 1983; Eisenhardt, 1989; Mair et al., 2015). Specifically, given the potential principal-agent and principal-principal conflicts, it addresses the means of control undertaken to manage the agency problems among firm stakeholders, including both minority and majority shareholders and managers, controlling and determining the firm direction and performance (Hitt et al., 2007). According to Mair et al. (2015, p.716), 'organisational governance is concerned with strategic (providing direction) and controlling (monitoring and ensuring accountability) functions as well as managing relationships.' Therefore, CG mainly comprises all practices adopted within firms to facilitate the usage of business resources, guide their strategic direction and mitigate agency problems between their stakeholders, maintaining firm efficiency, stability, competitiveness and survival (Daily et al., 2003). Desai et al. (2005) explain that the primary purpose of CG is to determine

the best methods to achieve effective strategic decision making, aiming the best interests of shareholders.

Particularly, as Mair et al. (2015) assert, CG emphasises the overriding objective of maximising shareholders' wealth, as the dominant stakeholder group, by increasing firms' financial returns. According to Schwartz et al. (2005), CG represents and supports the values of firms by serving as a control system through which firms organise top managers and owners – controlling and non-controlling – in situations where there can be a conflict of interests, promoting the best benefit of shareholders. Therefore, CG supports and facilitates the conformity of shareholders' and managers' interests and the protection of minority shareholders' rights. Filatotchev and Nakajima (2010) point to that the CG literature has mainly focused on the application of internal CG configurations – introduced to address the issues of managerial opportunism and the conflicts of interests – and their economic implications for firm performance.

A lack of strong firm governance can result in significant agency problems, either between principals and agents or among principals themselves, which can be reduced when effective CG configurations are significantly invested in and put in place. While the issues associated with the protection of minority shareholders' rights and the alignment of shareholders' and managers' interests can be experienced within each firm, each is unique in nature. Therefore, the CG configurations implemented by each firm to control such issues tend to vary greatly. The works of Jensen and Meckling (1976) and Fama and Jensen (1983) represent some of the most significant early publications on agency theory and CG configurations. They outline the two main CG configurations that can be adopted to mitigate agency problems: first, the use of outcome-oriented contracts and, second, the leverage of information systems.

Regarding the use of outcome-oriented contracts, the scholars assert that such contracts are effective mediators because they unite the objectives of owners and agents by incentivising common goals and minimising the conflict of interests. This can be achieved by granting managers an executive compensation that effectively motivates them to act in the best interests of shareholders, which reduces the risk of managers behaving in a self-serving manner – the managerial opportunism (Jensen and Meckling, 1976). In comparison, they note that information systems minimise the risk of managers' opportunistic behaviour by ensuring that shareholders are aware of agents' operations and activities. Therefore, agents recognise that they are unable to keep their behaviour and performance under the radar, and as such, they are less likely to engage in managerial opportunism. This has been discussed extensively in research, for instance, the way in which managers' activities can be governed by the board of directors as an information system (Fama and Jensen, 1983).

The CG literature has essentially separated CG configurations into internal and external categories (e.g., Walsh and Seward, 1990; Jensen, 1993). Other scholars, such as Tosi and Gomez-Mejia (1994) and Zajac and Westphal (1994), have classified such configurations in terms of their purpose – whether they are designed for monitoring or aligning interests. Examples of internal and external CG configurations include the boards of directors and managerial remuneration, as well as shareholders' majority shares and the threat of takeover market, respectively. Monitoring configurations include external blockholders and the boards of directors, while alignment configurations include incentive-based compensation emphasising the managerial ownership and performance-based incentives.

2.5.2.1 The Board of Directors

Jensen (1993) emphasises the role of the board of directors in ensuring that managerial behaviour and performance are effectively guided, directed, monitored, controlled and disciplined, with many other scholars highlighting the importance of the board as the core of CG. The board of directors is 'a group of elected individuals whose primary responsibility is to act in the owners' interests by formally monitoring and controlling corporation's top-level executives' (Hitt et al., 2007, p.313). In agency theory, the board acts as an internal control configuration that primarily serves the functions of monitoring and advising top managers, where the directors on the board are elected by firm shareholders to act on their behalf (Hillman and Dalziel, 2003). Acting on behalf of shareholders, the board of directors is held accountable for the effective management of firm and serves as a representative and protector of the interests of shareholders, which can only be achieved through the implementation of effective firm governance (Hillman and Dalziel, 2003)

Therefore, the board of directors serves as a key mediator between managerial behaviour and performance and shareholders' interests, providing the latter with the necessary information concerning the activities and operations of firms. Young (2000) asserts that the board of directors possesses the authority to ensure that the interests and rights of shareholders are upheld by the actions and operations of management and that managers are effectively incentivised and disciplined, mitigating the self-interests and self-serving behaviour of managers and avoid consequent scandals, such as that of WorldCom and Enron (Unerman and O'Dwyer, 2004). However, as Aguilera (2005) notes, the board has been found to fall short of shareholders' expectations in this regard, with managers often given excessive autonomy and discretion. Accordingly, various parties – including policymakers, regulators and shareholders – may demand that the board of directors becomes more effective and proactive in monitoring and directing the behaviour and performance of management. Along with monitoring and advising functions, the board is also a key source of business resources in terms of providing human capital in the form of social ties and business networks, as well as skills, expertise and

knowledge. The effectiveness of the board and, consequently, firm performance is believed to be influenced by the structure of the board of directors in terms of board size and independence (Hillman and Dalziel, 2003; Kiel and Nicholson, 2003; Lefort and Urzua, 2008; Guo and Masulis, 2015; Liu et al., 2015).

Various studies have addressed the relationship between board size and firm performance, but the findings have largely been controversial. Scholars such as Bushman et al. (2004) and Boo and Sharma (2008) find that larger boards are associated with inefficiency, ineffectiveness and communication issues; this mainly results from a potential free rider problem, which actualises lower ability to monitor and guide managerial behaviour and performance effectively. However, Kent and Stewart (2008) notes that it is not yet certain which factor influences the other.

In contrast, Chiang and Chia (2005) and Haniffa and Hudaib (2006) assert that board size is positively related to firm performance. In accordance with this, Anderson et al. (2004) and Williams et al. (2005) state that board size is positively related to board monitoring effectiveness. Additionally, Kiel and Nicholson (2003) propose that firm performance and board size display an inverted U-shape relationship, wherein the firm benefits from greater knowledge, senses, minds and expertise when additional directors are added to the board. However, the scholars claim that, at a certain point, these benefits cannot outweigh the challenges associated with large boards in relation to the free-rider problem.

Baysinger and Hoskisson (1990) explain that the directors of the board are categorised as insiders, related outsiders, also known as affiliated directors, or outsiders. According to Zajac and Westphal (1996), inside directors or insiders are board members who have been appointed to a senior management position from within the firm and can provide insight into the operations, activities and performance of firms as a result. Related or affiliated outsiders are board members who are not part of the daily activities and operations of firms but are not entirely third-party entities either, because they are contracted by or otherwise associated with the firm. Outside directors or outsiders are board members who may have been appointed the role of board member before the present CEO was hired or who may be a senior manager of another firm and provide third-party guidance to the firm. Outsiders are assumed to be effectively objective and independent of the firm in terms of their emotional and financial attachments, which presumably enhances the efficiency and effectiveness of the board regarding its monitoring and advising functions (Davidson et al., 2005; Peasnell et al., 2005; Koh et al., 2007; Boo and Sharma, 2008).

Westphal and Milton (2000) point to that many perceive the board where most members appointed are from within the firm, in senior management positions, to be less effective in terms

of monitoring, directing, controlling and disciplining management compared with the board with a smaller representation of internal senior managers. Similarly, Beasley (1996) asserts that the board must be independent if it is to effectively monitor, guide, control and discipline managerial behaviour and performance. Therefore, the board of directors is expected to be comprised primarily of outside directors, given the requirements derived from the enactment of the Sarbanes-Oxley Act of 2002 relating to improving the internal CG configurations of US public firms (Valenti, 2008).

However, Tosi et al. (2003) note that from the managerial entrenchment perspective, outsiders can be significantly influenced by the CEO of firms as a result of managerial power, control and seniority. As such, agency-related issues cannot be fully solved with a majority representation of outside directors alone. As Lorsch and Zelleke (2005) explain, the power and influence of CEO within the firm can be limited by ensuring that the CEO does not also serve as the board chair – CEO duality. Still, several issues can arise as a result of a high representation of outsiders on the board of directors.

For instance, in line with the perspective of managerial entrenchment regarding information asymmetry, Roberts et al. (2005) assert that outside directors are unable to provide the same level of insight into and perception of the daily activities and operations of firms that CEOs and other inside directors can offer, limiting the efficiency of the board concerning its monitoring and advising roles. That is, if outsiders are able to maintain regular and effective monitoring, advising and communication with inside directors, this obstacle can be overcome with relative effectiveness. However, generally, when the majority of board directors comprises outsiders, this level of access, connection and understanding cannot be acquired. As a result of the inefficiency of the board relating to information asymmetry and depending on the costly financial control configurations that bind executive compensation and firm performance instead, monitoring and advising costs increase.

2.5.2.2 Executive Compensation

The economic basis of executive compensation stems from agency theory, maintaining that firms look for the most efficient, optimal, compensation contracts to attract, sustain and incentivise top managers (Conyon, 2006). Executive compensation is ‘a governance mechanism that seeks to align the interests of managers and owners through salaries, bonuses, and long-term incentive compensation, such as stock awards and options’ (Hitt et al., 2007, p.317). Therefore, the plan or design of executive compensation seeks to mitigate potential managerial opportunism, motivate the effort of top executives and prompt the alignment of managers’ and shareholders’ interests.

2 Theoretical Background

The executive compensation plan takes the form of fixed pay and variable incentive pay that depends on the underlying purpose of incentive – whether to offer a bonus, an incentive of short-term focus; or an equity-based compensation, an incentive of long-term focus, to increase the accounting profit or maximise shareholders' wealth by share price appreciation, respectively (Murphy, 1999; Chalmers et al., 2006). According to Mehran (1995), for firm value maximisation, what motivates managers is the form rather than level of executive compensation, given the different executive compensation components of fixed, secure and variable, risky pay. Therefore, executive compensation, in terms of total, salary, cash and incentive-based compensation, is to be properly and smartly designed, incentivising and appealing the current and prospective managers of the firm.

In particular, McGuire and Matta (2003) assert that a greater association between the financial wealth of common shareholders and managers alleviates the risk of agency problems or assists the firm in addressing such problems as they arise, given the risk-averse nature and undiversified wealth of top managers. Hill and Stevens (2001) state that, for this reason, the long-term incentive-based compensation for top executives is received well by the stock market overall. In the United States in particular, executive compensation has increasingly focused on short- and long-term incentive-based compensation, such as bonus and equity-based compensation, respectively, linking managerial performance and pay. Gomez-Mejia et al. (2003) note that because such incentive-based compensation is considered supportive of shareholders' interests in terms of controlling and disciplining managerial behaviour and performance, executive compensation can minimise the pressure that shareholders place on the board concerning the structure of the board of directors, consistent with the substitution effect perspective (Williamson, 1983; Gnan et al., 2015).

Furthermore, stemming from the managerial opportunism perspective, the scholars also suggest that shareholders tend to perceive the independent board with a high representation of outsiders as being better able to ensure that the executive compensation of senior managers is linked with firm performance, that is, coupling managerial performance and pay (Tosi Jr and Gomez-Mejia, 1989; Miller et al., 2002; Martin et al., 2013). Commonly, the interests of managers and shareholders are aligned through the internal CG configuration of executive compensation, namely incentive-based compensation via managerial ownership and performance-based incentives. According to Conyon (2006, p. 26):

> By using stock options, restricted stock and long-term contracts, shareholders motivate the CEOs to maximise firm value. In other words, shareholders try to design optimal compensation packages to provide CEOs with incentives to align their mutual interests.

2 Theoretical Background

The alignment of shareholders' and managers' interests builds on the idea of executives being both effort- and risk-averse (Bloom and Milkovich, 1998). Tosi Jr and Gomez-Mejia (1989) note that it is challenging to closely monitor managers' actions and operations since their opportunistic behaviour cannot be predicted. In this sense, as Eisenhardt (1989) notes, the potential principal-agent conflict can be mitigated through the use of incentive-based compensation, including bonus and equity-based compensation. Additionally, Jensen and Meckling (1976) and Demsetz (1983) also assert that the degree of managerial ownership possessed by the CEO is an essential CG mechanism that can be used to align the interests of shareholders and managers, given the risk-aversion and undiversified wealth of top managers. Similarly, Devers et al. (2008) state that shareholders' and CEOs' respective levels of risk-aversion are balanced through the incorporation of equity-based compensation, namely stock options or other long-term variable incentive pay, as part of managerial remuneration.

Regarding executive compensation, Conyon (2006) points out that senior managers receive a base salary, stock options that give them the right to purchase shares in the future at a predetermined price, annual bonus tied to accounting-based performance measures and other compensation, such as retirement plans, non-cash privileges, non-equity incentives and restricted stock, which comprise the basic components of managerial remuneration. However,, there are some issues related to the plan of executive compensation regarding their short-term and long-term incentives that particularly cause the subject to be less straightforward.

The first issue is that the senior executives of firms make non-routine and complicated strategic choices and managerial decisions based on the specific circumstance in question, with many factors, some of which are unpredictable and uncontrollable, are involved in the decision-making process in each case. ' Although, the managerial remuneration of top managers tends to be associated with the financial measures of firm performance that are simple to observe relative to the strategic choices and managerial decisions being made, resulting in an inappropriate judgement of the quality of managerial behaviour and performance (Hitt et al., 2007). The second issue is that the decisions made and strategic choices undertaken by senior managers tend to have a long-term impact on firm performance. Therefore, it is challenging to determine how the actions and operations of management impact firm performance in the immediate instance, and to evaluate managerial behaviour and performance accordingly.

The third issue is that it is not only the actions and operations of top executives that influence firm performance. Therefore, given the surrounding business setting, it is challenging to measure and assess the effect of strategic choices and managerial decisions due to the influence of unpredictable legal, social, economic and other factors that can interfere and affect the quality of managerial behaviour and performance. Accordingly, as Bryan et al. (2000)

assert, the effectiveness of incentive-based compensation concerning short-term and long-term incentives can be questioned in terms of the actual motivation, control and discipline of top management.

2.5.3 Corporate Governance of Family Firms

Despite the role of laws and regulations in issuing the standards and guidelines concerning CG configurations, idiosyncratic factors of firms affect the setup of firm governance. Therefore, CG remains an important area that reveals differences between family and non-family firms, directing the attention of many scholars to identifying the underlying reasons. Around 33% of the S&P 500 index's US firms have an ownership structure characterised by family members owning 18% of the outstanding shares (Hitt et al., 2007). The extant literature has largely shed light on firm governance as a key distinguishing aspect between family and non-family firms (e.g., McConaughy, 2000; Gomez-Mejia et al., 2003; Miller and Le Breton-Miller, 2006; Jaskiewicz and Klein, 2007; Bettinelli, 2011).

Among other factors, the concentrated ownership context, such as that in family businesses, suggests that the dominant or controlling shareholders represent an external CG mechanism that scholars primarily address as a substitute for the respective controlling roles of internal CG configurations, such as the board of directors and executive compensation. Resulting from the substantial incentive created by the large shareholdings, the dominant shareholders, namely family shareholders, play a direct and effective monitoring role in alleviating the potential managerial opportunism or the 'vertical agency problem' between shareholders and managers (Lefort and Urzua, 2008); that is a principal-agent conflict. However, at the same time, the dominant shareholders are believed to exert significant power, control and influence, relating to their large shareholdings, over firm practices and decisions in the name of fulfilling self-interests, goals and preferences, which can be at the expense of minority shareholders.

As such, the presence of dominant shareholders tends to create other pervasive agency problem that emerges between controlling, majority shareholders and non-controlling, minority shareholders, presenting a 'horizontal agency problem' (Lefort and Urzua, 2008); that is a principal-principal conflict. The root of this problem is in the potential expropriation of financial wealth from minority shareholders, particularly in terms of making decisions and undertaking practices that are closely aligned with the preferences, objectives and interests of controlling shareholders at the cost of non-controlling shareholders. Therefore, a key complication of the concentrated ownership context of family firms is its impact on CG configurations relative to the dispersed ownership context of non-family firms due to its substitution and expropriation

effects. The type and severity of potential agency problems indicate that family firms vary from non-family firms regarding firm governance, presenting a distinct business setting.

Relating to the monitoring role of dominant shareholders, the CG literature has addressed that the ownership concentration and both the representation of outsiders on the board and board size are negatively related (e.g., Bozec and Bozec, 2007; Misangyi and Acharya, 2014). In this relationship, the ownership concentration essentially substitutes the respective controlling role of the board relating to its monitoring and advising functions; this limits the necessity of large and independent boards. However, despite the substitution effect of the ownership concentration in the direct and close monitoring of managerial behaviour and performance, the dominant shareholders have a substantial incentive to keep weak internal controls that expediate wealth expropriation and fulfilment of self-interests (Bozec and Bozec, 2007).

As CG aims to grant maximum returns on investments for the best interests of shareholders (Shleifer and Vishny, 1997), the ownership concentration may contradict such an overriding objective in terms of its expropriation effect. Specifically, as controlling shareholders, family shareholders actively seek and enjoy the presence of directors who effectively promote or at least do not hinder attaining their preferences, goals and interests (Lefort and Urzua, 2008) irrespective of minority, non-family shareholders. Accordingly, compared with non-family firms, the boards of family firms lack independence and tend to be smaller to maintain effective control, power and communication.

Also, building on the monitoring role of controlling shareholders, the ownership concentration presents a substitute for incentive-based compensation, including bonus and equity-based compensation, mitigating the need for coupling managerial pay and performance. According to Kraft and Niederprum (1999, p.20), 'if concentrated ownership is equivalent to a high degree of corporate control, the probability is high that shirking will be detected.' Therefore, emphasising the substitution effect of ownership concentration, they assert that the level of incentive-based compensation and pay-performance sensitivity are likely to be higher in a diversified ownership context of firms.

In contrast, as family shareholders usually manage and control family firms whose shares they own, they exercise their discretion, authority and power to opportunistically determine their compensation, maintaining financial welfare, job security and protection. According to Cheung et al. (2005), instead of expropriating non-controlling, minority shareholders' wealth through firm practices and decisions prompted by controlling, majority shareholders, family owners-managers effectively set the form and level of their own managerial remuneration, perhaps in excess of the optimal executive compensation.

From the perspective of ownership concentration, Gomez-Mejia et al. (2011a, p.654) assert that 'concentrated family ownership presumably neutralised the moral hazard on the part of management that so concerned Berle and Means under atomistic ownership.' Because family shareholders are cautious and self-incentivised enough to closely and effectively monitor top management to guard their usually undiversified investment, they note that family firms are less likely to choose and implement costly CG configurations relative to their counterparts. Thus, family firms are traditionally assumed to be 'superior forms of governance' (Fama and Jensen, 1983).

However, stressing the principal-principal conflict, the CG literature questions this assumption and provides evidence that family ownership may enforce non-financial interests, preferences and goals in the name of preserving the non-economic utilities of family members derived from the firm; these are usually perceived by other, minority, shareholders as different from and contradictory to their financial interests and objectives. As such, building on the SEW perspective, the prioritisation of preserving the non-economic benefits gives rise to an agency problem between family and non-family shareholders. Such agency problem opposes the above assumption about family firms and shows them instead as having a 'theoretically distinct form of governance' (Schulze et al., 2001). Accordingly, the potential principal-principal conflict within family firms implies different CG configurations concerning the board of directors and executive compensation.

In accordance with this, drawing on the perspective of SEW, family firms differ from non-family firms regarding their CG configurations intended to preserve SEW (Gomez-Mejia et al., 2011a), where, characterising family firms, SEW serves as a key distinguishing factor that explains the distinct behaviour of family firms in comparison with non-family firms (Berrone et al., 2012). Regarding the board of directors, large family ownership may entitle family shareholders to significant power and authority to appoint a board that actively supports and fulfils, or at least does not contradict, their interests, goals and preferences. In family firms, 'family principals are likely to see the board as a tool to reinforce their control and to pressure top executives to pursue the family's objectives' (Gomez-Mejia et al., 2011a, p.661).

The findings of prior studies on family businesses have shown that the majority of board seats are held by family shareholders, their representatives or their appointees, reflecting significant control, both direct and indirect, over the firm, as well as maintaining prestige and image and job security and protection of family members (e.g., Mustakallio et al., 2002; Voordeckers et al., 2007). Relative to family and inside directors, the scholars find a low number of outsider directors who possibly have indirect connections with the family, indicating a lack of board independence in family firms.

Moreover, in the name of preserving the non-economic benefits attached to the firm, including authority, power and control, prestige and image and job security and protection, the boards of family firms are typically smaller compared with non-family firms. CEO-duality also tends to be very common on the boards of family firms, where the CEO is usually a family member, underlying the managerial entrenchment. The scholars note that the characteristics of family firms' boards are consistent with the priority of SEW preservation, which justifies the difference in the structure of the board of directors between family and non-family firms.

Regarding executive compensation, Gomez-Mejia et al. (2003) find that there is a negative relationship between family membership and CEO pay, where family CEOs receive lower executive compensation relative to non-family CEOs. These findings can be explained again from the perspective of SEW preservation in terms of deriving job security and protection that family members possess compared with non-family members in the firm. In the case of family CEOs, 'disappointing results are attributed to uncontrollable factors rather than to the CEO' (Gomez-Mejia et al., 2011a, p.663). Therefore, they receive lower pay compared with non-family CEOs as a trade-off between job security and protection and executive compensation, implying lower total compensation of family managers but higher base salary and cash compensation, perhaps in excess of the optimal executive compensation. However, as risk increases or family control decreases along with its protection, family CEOs expect to receive higher pay.

Moreover, in relation to job security and protection, McConaughy (2000) asserts that family CEOs tend to bear less risk as they receive less incentive-based compensation, including bonus and equity-based compensation. That is, managerial performance is unlikely to be coupled with pay, suggesting less risky incentive pay, as well as higher fixed and cash pay as mentioned above. Unlike family executives, non-family executives bear the full risk of performance-based and long-term incentives. Accordingly, the priority of SEW preservation also triggers the difference in executive compensation between family and non-family firms and between family and non-family managers.

2.6 Corporate Social Responsibility

Shareholders comprise the dominant stakeholder group that firm management emphasises regarding strategic choices and managerial decisions in terms of the best benefit of shareholders. According to McWilliams and Siegel (2001), such emphasis arises from the firm theory perspective, which is based on the assumption that managers of publicly held firms act on behalf of shareholders aiming to maximise shareholders' wealth, given the threat of takeover market as the primary control mechanism (Jensen and Meckling, 1976). However, introducing stakeholder theory, Freeman (1984) notes that firms have many other relationships with a variety of

stakeholders, including the community, consumers, suppliers, employees, government bodies and environmental supporters.

Compared with shareholders, these stakeholders are likely to pursue different, non-financial goals, preferences and interests that managers are required to consider and serve as firm stakeholders both affect and are affected by firm practices and decisions. Given the multiple stakeholder groups, managers thus confront multiple pressures and demands, mainly to allocate managerial efforts and firm resources to CSR, holding firms accountable for the social and environmental impacts of firm practices and decisions. For instance, from a consumer perspective, there is growing evidence that consumers strongly appreciate socially responsible firms that devote their efforts and resources to CSR, prompting customer loyalty and attracting and sustaining socially conscious investors and other stakeholders. Thereby, doing good basically leads to doing better (Sen and Bhattacharya, 2001; Nelson, 2004).

Accordingly, as Borghesi et al. (2014) state, firms have increasingly directed their attention to the importance of CSR and to addressing the firm attempts concerning CSR initiatives and activities. CSR has become a priority of firms, triggering the ranking of firms based on their CSR performance (Porter and Kramer, 2006). Jo and Harjoto (2012) assert that CSR ensures the sustainability of firms in the eyes of firm stakeholders; this is done by undertaking sound business practices and decisions that uphold the accountability and transparency of the firm not only to shareholders but also to the society at large. Therefore, CSR is basically an influential managerial concept that addresses the role of firms in society, given the different stakeholders related to the firm, such as employees and customers.

CSR has much in common with the stakeholder theory perspective as opposed to the perspective of firm theory, and stakeholder theory has become the dominant paradigm in CSR (McWilliams and Siegel, 2001). According to Wood and Jones (1995), apart from the dominant stakeholder group of shareholders, firms have other, multiple stakeholders, both internal and external, who also influence and are influenced by firm practices and decisions. Accordingly, emphasising the CSR perspective, firms actively seek the maximisation of shareholders' wealth while concurrently considering the interests, concerns and demands of all firm stakeholders (Peterson, 2004); that is for a wider social good. Therefore, building on stakeholder theory (Freeman, 1984), CSR is depicted as a manifestation of firm moral responsibility and commitment towards the whole society, where society members are the primary firm stakeholders. Friedman (1970, p.32) defines CSR as:

> To conduct the business in accordance with shareholders' desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

As such, the firm choice of how it operates within the social, ethical, legal and political standards of the context in which it exists and operates is a reflection of its CSR (Devinney et al., 2013). According to Borghesi et al. (2014), firm management engages in CSR for at least three reasons. First, there are altruistic, humanitarian and community-based motivations relating to firm moral responsibility, for instance, environment protection, charitable donations and employee welfare. Second, profitability-based motivation exists in terms of CSR's consistency with and contribution to the financial interests and goals of firms.

Third, firm managers experience self-motivation related to improving the personal and professional reputation attached to the firm. Jones (1995) asserts that the moral responsibility and commitment of firms towards the various firm stakeholders help firms establish an essential competitive advantage and enhance firm survival. Given the satisfaction and endorsement of multiple stakeholder groups, firms build lasting and productive relationships with firm stakeholders. This prompts the positive attention and good publicity of firms in relation to their favourable reputation and image arising from the firm engagement in socially responsible practices, which eventually contribute to the best interests of shareholders.

Consistent with the firm theory perspective, firm engagement in CSR presents a form of investment that aims to maximise shareholders' wealth while fulfilling the interests and objectives of non-financial stakeholders addressed by stakeholder theory. In particular, CSR primarily serves as a differentiation strategy, where firms attempt to accomplish and deliver the differentiation of products/services or processes that incorporate CSR-related attributes or manners, respectively. This prompts profit maximisation for the best benefit of shareholders in the sense that doing good, in terms of assessing the social and environmental consequences of firm practices and decisions, is good for the firm as a whole (McWilliams and Siegel, 2001; Borghesi et al., 2014).

Given firm's good image, positive publicity and promising relationships with the various firm stakeholders, Yoon et al. (2006) assert that CSR plays a key role in burnishing the reputation of firms. In consistency , Khoury et al. (2013) point out that the social capital of firm in relation to CSR initiatives and activities conveys firm legitimacy regarding firm's social validation in terms of firm stakeholders' acceptance and approval concerning firm practices and behaviour. Therefore, firms mainly utilise CSR as a strategic means to achieve firm legitimacy of which stakeholders' support and favourable firm reputation – a crucial intangible firm resource – are predictable valued socially constructed outcomes that improve firm competitiveness and survival in terms of acquiring access to business resources, both financial and human capital, that are mandatory for the business success (Rao, 1994; Choi and Shepherd, 2005; Deephouse and Carter, 2005; Porter and Kramer, 2006; Du and Vieira, 2012).

2.6.1 Corporate Social Responsibility of Family Firms

Whether family firms are more socially responsible relative to non-family firms remains a controversial discussion. Cruz et al. (2014) explain the contradictory views of family firms' social practices and performance on the basis of different reasons. First, most studies of the association between family ownership and CSR have stressed a single aspect of the socially responsible practices and decisions of firms, namely the environment, overlooking the diversity of firm stakeholders. In consistency, second, given SEW is the most salient, distinguishing factor in characterising family firms (Gomez-Mejia et al., 2007; Berrone et al., 2012), the studies have also emphasised a single SEW dimension of firm reputation, prestige and image with which key firm actors are closely identified. This implies incorporating an incomplete view of the CSR of family firms, as SEW has a multidimensional character.

CSR is theoretically grounded in stakeholder theory (Freeman, 1984); as such, the impact of SEW preservation on managing the various groups of firm stakeholders matters (Zientara, 2017). Given the priority of protecting SEW, Cennamo et al. (2012) point out that family firms are more keen to engage in CSR, burnishing firm reputation and image in the eyes of firm stakeholders in the name of preserving and extending the non-economic utilities of firm's key actors attached to the firm. However, according to Cruz et al. (2014), from the SEW preservation perspective, family firms can behave socially responsibly and irresponsibly simultaneously because of the multiple dimensions of SEW that challenge, and perhaps undermine, firm engagement in CSR.

Particularly, stressing the social ties and business networks and reputation and image dimensions of SEW, family firms direct more attention to socially responsible practices and decisions that fulfil the demands and interests of external rather than internal stakeholders. Further, drawing on the authority, control and power dimension of SEW, family firms disregard the concerns and demands of internal stakeholders, namely employees, maintaining such non-economic benefits in the hands of certain key firm actors, specifically top managers. Therefore, considering the various stakeholder groups, compared with non-family firms, family firms can be both good and bad at the same time in the name of preserving the affective endowments linked to the firm.

Dyer and Whetten (2006) find no significant difference between family and non-family firms in CSR activities and initiatives; however, consistent with the discussion above on SEW, they discover that family firms are more proactive in decreasing the concerns of certain firm stakeholders, for instance, adopting environment-friendly strategies and thereby mitigating the negative environmental impacts of firm practices and decisions. Therefore, emphasising the CSR perspective, this indicates that family firms can act selectively in terms of treating firm

stakeholders distinctly. Moreover, despite the growing attention and pressure regarding firm social performance, Cruz et al. (2014) note that the national standards and industry conditions affect non-family firms rather than family firms concerning firm engagement in CSR; this suggests less socially responsible behaviour of family firms compared with non-family firms, given the concern for SEW preservation.

Emphasising proactive stakeholder engagement, Kellermanns et al. (2012) note that family firms are strongly concerned with the preservation of SEW which addresses the interests and demands of certain firm stakeholders at the expense of others. Specifically, stressing the multidimensional character of SEW, the scholars explain that the SEW dimensions are double-valanced as they can be positively and negatively valanced; they are associated with positive (pleasant) and negative (unpleasant) emotions and outcomes regarding firm stakeholders. Further, negatively valanced SEW dimensions result in a self-serving behaviour of family firms that weakens proactive stakeholder engagement and deteriorates stakeholder management.

Given the multiple dimensions of SEW and their double-valanced nature, Kellermanns et al. (2012) shed light on the so-called 'dark side' of SEW that negatively affects firm stakeholders. Particularly, they assert that family firms are more responsive to the concerns, demands and interests of external stakeholders, namely suppliers, creditors and customers, concerning the environmental and social impacts of firm practices and decisions, irrespective of the detriments and disadvantages for internal stakeholders. This helps family firms maintain a positive image, good publicity and favourable reputation and thus retain and improve their social ties and business networks with external stakeholders, preserving two critical dimensions of SEW. However, as mentioned above, it indicates overlooking the demands and interests of internal stakeholders.

Moreover, stressing the key SEW dimension of authority, power and control, family firms may abandon the interests, concerns and demands of internal stakeholders, specifically employees, regarding their involvement in decision making, appreciation of their potentials and their promotions, as they restrict such affective endowments to specific firm's key actors. Together, this primarily displays unequal and unfair treatment of internal and external stakeholders, as well as discrimination among internal stakeholders themselves, imposing the self-serving and discriminatory behaviours of family firms, which thereby suggests their less socially responsible behaviour relative to non-family firms (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014; Zientara, 2017).

Building on the work of Kellermanns et al. (2012), Zientara (2017) advances a discussion of the impact of SEW on how family firms perceive and engage in CSR, as SEW presents a key reference point for framing issues, opportunities and problems and making decisions in family

firms. In accordance with Kellermanns et al. (2012) concerning the dark side of SEW, Zientara (2017) asserts that SEW can have detrimental effects on firm stakeholders in relation to its ambivalent nature, emphasising the difference between the strategic (normative) and instrumental (selective) approaches to CSR in their underlying motives. Specifically, family firms are more likely to adopt an instrumental rather than strategic approach to CSR concerning CSR initiatives and activities in the name of preserving and expanding the non-economic utilities attached to the firm. This basically leads to different responses to the concerns and demands of the various groups of firm stakeholders, where family firms treat firm stakeholders differently.

Therefore, the priority of SEW preservation triggers the self-serving behaviour of family firms in terms of their selective response to the demands and interests of certain firm stakeholders at the expense of others, implying an ambiguous nature of SEW which has adverse implications for firm engagement in CSR. Given the multidimensional character of SEW, Zientara (2017) points to the differentiation among firm stakeholders in terms of their unequal and unfair treatment, enforcing family firms' discriminatory behaviour towards firm stakeholders. Such discrimination among firm stakeholders suggests a negative valance of SEW dimensions (Kellermanns et al., 2012), and in turn, contradictory social practices and decisions of family firms relating to SEW's dark side, where they can act contradictorily from a CSR perspective.

Adopting an instrumental approach to CSR, family firms use CSR as a marketing or public relations tool to serve SEW-related interests and goals. Whereas, emphasising the wider good for society at large (Sen and Bhattacharya, 2001; Nelson, 2004; Peterson, 2004), non-family firms view CSR as a core business strategy for the best interests of shareholders, implementing a strategic approach to CSR. Thus, given the SEW dimensions are contradictory from the perspective of CSR, family firms can act selectively and opportunistically, imposing less proactive stakeholder engagement and weak stakeholder management. This thereby challenges the implicit assumption of SEW as a prosocial and positive stimulus for socially responsible behaviour (Zientara, 2017).

2.7 Conclusion

Institutional scholars have shed light on the role of ILs in providing guidance and prescriptions of social actions, that is, the definition of acceptable behaviour and the means of attaining it. As an intangible construct, ILs implicitly drive firm behaviour in terms of shaping firm practices and decisions, where they latently embed in firm decision making, and as such, portray the culture and nature of firms in running the business (Meyer and Rowan, 1977; Danisman et al., 2006). Thus, firm practices and decisions are tangible manifestation of ILs

(Friedland and Alford, 1991; Thornton and Ocasio, 2008; Greenwood et al., 2010). To date, no study has directly measured and empirically examined the effect of ILs, as hidden drivers of firm behaviour, on firm practices and decisions as most work on ILs has been qualitative – interview- or survey-based.

This lack of attention has motivated the present research questions and studies, which aim to expand the knowledge and understanding of ILs and examine the influence of ILs, as hidden drivers of firm behaviour, specifically through the empirical windows of CG and CSR. Therefore, Chapter 3 presents the quantitative measurement of the embeddedness of ILs, namely family and market logics. In doing so, it develops the institutional-based classification of firms and introduces the concept of firm logic orientation, as opposed to ownership status (family or not), as well as the constructs of familiness and marketness. Focusing on the empirical window of firm governance, it then examines the association between ILs and CG concerning the firm choice of internal CG configurations.

Chapter 4 investigates the moderating role of ILs in configuring CG, emphasising a more subtle and in-depth manifestation of ILs in firm practices and decisions in terms of the relationship between well-known CG determinants and configurations. Using another empirical window of firm social performance, Chapter 5 examines the association between ILs and CSR in terms of firm engagement in socially responsible practices. Stressing a more perceptive and in-depth articulation of ILs in firm behaviour, it further emphasises the interplay of ILs, legitimacy seeking and CSR, examining the moderating role of ILs regarding the association between firm legitimacy and CSR.

3 Do Institutional Logics Shape Corporate Governance?

3.1 Introduction

Firms are normally different business entities. Underlying such difference, certain criteria primarily address an element of similarity among firms upon which they are classified in specific categories, and in turn, distinguished. To examine firms and – by extension – understand their practices, choices and behaviour, it is reasonable to attempt to group them into distinguishable groupings and classifications. To this end, firms are usually grouped on the basis of ownership criteria, namely ownership status (family or not). Prior research has investigated the differences between family and non-family firms particularly regarding firm decision making and resulting business practices. In this vein, stemming from institutional theory, Friedland and Alford (1991) attempt to shed light on the notion of ILs, by introducing them as a proxy for firm behaviour as they may tacitly embed in firm decision making, and in turn, shape firm practices and decisions. Specifically, as Greenwood et al. (2011) propose, ILs provide guidance and taken-for-granted, resilient prescriptions that help make sense of the practices of societal actors, by defining and setting means of appropriate behaviour (Thornton and Ocasio, 2008).

Therefore, firm practices and decisions are basically tangible demonstration of embedded ILs (Greenwood et al., 2010), which trigger and explain the discrepancy in firm behaviour. As Thornton (2004) asserts, firms exist and operate in a society that is a multi-order institutional system. The system consists of multiple, main market and non-market institutions – or societal sectors – each of which is associated with a core, unique logic – IL. ILs act as means to address the values, assumptions and norms of the corresponding institution, and in turn, guide social actions. Firms encounter a complex institutional context, confronting multiple institutional demands and pressures imposed by a plurality of logics (Greenwood et al., 2011). That is, ILs coexist, interplay with one another and often conflict. Therefore, while they may interrelate, ILs often contradict one another due to incompatible guidance in terms of the symbols and material practices comprising the institution's ongoing principles. A growing interest in ILs is justified by the institutional complexity that firms confront because of the prevalence of multiple, typically competing, logics and the adoption of different response strategies[2]. Still, there is relatively little empirical research on the role of ILs in driving firm behaviour.

Miller et al. (2011) emphasise the difference between the norms and prescriptions that family and market logics impose for the strategic priorities of lone founder and family-owned or managed firms, which are used to justify firm performance. Similarly, addressing the

[2] See Reay and Hinings (2009) and Pache and Santos (2013).

contradictory demands and pressures that firms experience, Greenwood et al. (2010) highlight the discrepancy between family and market logics in relation to firm decision on downsizing. Further, Mair et al. (2015) highlight distinct firm types regarding the setup of governance structures of hybrid firms, identifying the embeddedness of commercial and social welfare logics in firm decision making and firm response strategy to them.

While the extant literature has addressed the effect of ILs as latent drivers of firm behaviour on different firm aspects concerning economic and strategic behaviours, no attention has been paid to the influence of ILs on CG – the control system by which firms are guided, directed and held responsible (Fama and Jensen, 1983; Eisenhardt, 1989). CG introduces the means of control in terms of internal CG configurations, including the board of directors as the core of CG and executive compensation, to handle the potential agency problems between owners and managers. It emphasises an overriding objective of maximising the wealth of shareholders – the dominant stakeholder group – by increasing firm's financial returns. Given the various CG configurations, CG practices exhibit a remarkable discrepancy among firms in terms of the setup of firm governance. While economic hypotheses largely explain the implementation of CG in relation to the structure of the board of directors and executive compensation plan, there remains an unexplained idiosyncratic component. Accordingly, the CG configurations adopted in firms where ownership status (family or not) is emphasised fall short of adequately explaining the uniqueness of firm governance practices.

For decades, the scholars have focussed on the connection between CG and firm performance. However, the existing literature has not directed attention to the implications of ILs for CG configurations. To address this gap, in this study, I extend the existing work, examining whether CG configurations vary according to the ILs embedded in the decision making of firms. In other words, I mainly emphasise the association between ILs and CG. Specifically, in this study, I aim to empirically investigate whether and how ILs shape the firm choice of internal CG configurations. The family business literature has widely highlighted the discrepancy in strategic behaviour among firms regarding CG, framed by family ownership status.

Stemming from the perspective of ILs, in this study, I propose that ownership status (family or not) is an insufficient indicator to identify and classify firms as the ownership criteria disregard the importance of firm behaviour. Specifically, considering ownership status alone overlooks, as Meyer and Rowan (1977) and Danisman et al. (2006) explain, the culture and nature of firms of running the business relating to real firm practices and behaviour. Institutional research scholars portray ILs as latent drivers of firm behaviour and shapers of firm practices (Friedland and Alford, 1991; Greenwood et al., 2010). Drawing on the ILs perspective, in

practice, family firms can behave like non-family firms and vice versa, embedding market and family logics, respectively, in firm decision making that firm practices and decisions best demonstrate.

This primarily motivates the present study to rethink of family and non-family firms in terms of firm behaviour, incorporating the role of ILs concerning the concept of distinction among them beyond the traditional understanding and classification of firms. Further, it examines the effect of ILs – newly proposed lens – on firm behaviour through the empirical window of CG. Emphasising the firm type in terms of so-called the logic-based group, in this study, I primarily investigate the difference in the choice of CG configurations among firms, where I empirically examine the effect of ILs on known models of CG, considering an array of widespread CG variables. The purpose of this study is to advance the ILs perspective and to expand the understanding of the differences in CG among firms.

While the extant research has extensively applied the ownership-based classification of family and non-family firms, in this study, I suggest a different manner to group firms reflecting the embeddedness of ILs irrespective of family ownership status (or not). Particularly, I design an institutional-based approach to directly identify and assess the embeddedness of family and market (non-family) logics by which a firm is driven and identify and classify firms accordingly. As the notion of ILs presents covert drivers of firm behaviour, the institutional-based approach is designed to operationalise both family and market logics, applying a quantitative measurement to differentiate among firms. In doing this, different types of firms are presented based on the embeddedness of these logics – FLDFs, hybrid firms and MLDFs. Drawing on the perspective of ILs, such an institutional-based classification of firms introduces the notion of 'firm logic orientation', namely the constructs of 'familiness' and 'non-familiness', or so-called 'marketness', to define and depict the embeddedness of family and market logics by which a firm is driven.

Unlike the traditional ownership-based classification of firms, the institutional-based classification emphasises firm behaviour in terms of actual firm practices and decisions. It primarily builds on the perspective of SEW – the non-economic utilities of firm's key actors derived from the firm – which is increasingly addressed in the family business literature as a key characterisation of family firms (Gomez-Mejia et al., 2011a; Berrone et al., 2012; Miller and Le Breton-Miller, 2014). Drawing on the strategic choices and managerial decisions of firms regarding a number of behavioural dimensions that are empirically proven to raise contrast between family and non-family firms in the name of SEW preservation, a typology of firms, the so-called logic orientation index, is developed to determine the logic orientation of firms in

terms of identifying the extent of their non-familiness, or marketness, which inversely indicates the familiness extent of firms.

Stressing firm behaviour, in this study, I depict FLDFs and MLDFs as behaving like family and non-family firms, respectively, in terms of their motives, objectives and essence, building on the SEW preservation perspective. Specifically, I portray MLDFs as shareholder-oriented firms that emphasise the primary economic business objective relating to the prioritisation of profitability and shareholders' wealth maximisation, displaying an archetypal business setting. In contrast, FLDFs exhibit a family-oriented attitude and preference in terms of the priority of SEW preservation, where the family and business systems overlap in a different business setting.

Therefore, drawing on the perspective of SEW preservation, FLDFs reveal a distinct firm identity, setting firm interests and priorities in terms of SEW-related concerns and goals as SEW represents the most predominant aspect of family-oriented identity (Glynn, 2008; Berrone et al., 2012; Miller and Le Breton-Miller, 2014). In other words, the prioritisation of protecting or extending the non-economic utilities of key firm actors linked to the firm reflects the characterisation and distinction of FLDFs' identity. Such an identity of FLDFs thereby imposes conditions against, and in turn, resistance to external demands, standards and expectations (Greenwood et al., 2011; Kodeih and Greenwood, 2014) in relation to CG. Specifically, according to Aguilera et al. (2018), the unique, influential identity of FLDFs underpins their CG discretion that results in the deviance or departure of firm governance practices from the dominant shareholder-oriented governance system in the name of preserving SEW, suggesting an effect of firm logic orientation on the firm choice of internal CG configurations.

For the board of directors and executive compensation analyses, I use samples of 6286 and 6236 firm-year observations for 987 and 971 firms, respectively, on the S&P 1500 index in the period of 2006–2016. Mandatory data are retrieved from the Compustat, Institutional Shareholder Services, Execucomp, Thomson Reuters and Centre for Research in Security Prices databases. Generally, the study shows that firm logic orientation explains an extra amount of variation in the firm choice of internal CG configurations. Overall, consistent with the hypotheses, it reports a discrepancy between FLDFs and MLDFs in the board structure regarding board size and independence. It also finds that FLDFs and MLDFs differ in terms of the plan of executive compensation, supporting the hypotheses.

Specifically, the results suggest smaller and less independent boards of FLDFs compared with MLDFs. In addition, they suggest that, relative to MLDFs, FLDFs pay lower total and equity-based compensation. Irrespective of family ownership status (or not), the study provides empirical evidence of a significant association between the logic orientation of firms and CG,

where the familiness and marketness of firms distinctly affect the firm choice of internal CG configurations. However, while they differ in terms of some characteristics due to an effect of ILs, firms in a context like the S&P 1500 index can still have elements of similarity according to the competitiveness of the market environment and industry regulations.

Stressing the important empirical window of CG, the findings provide empirical evidence supporting the notion of ILs as being latent drivers of firm behaviour related to the firm culture and nature of running the business. The importance of this study lies in suggesting a distinct view of the familiness and marketness of firms, identifying and classifying firms based on the embeddedness of family and market logics, which tangibly manifests in firm practices and decisions. In this study, I mainly show how family and market logics play an implicit role in affecting firm behaviour, and in turn, differentiating among firms, emphasising the CG context concerning the firm choice of internal CG configurations. Looking beyond firm strategies, I specifically shed light on the hidden logic-based root; that is, the culture and nature of firms, underlying how firms internally configure businesses regarding the setup of firm governance, in terms of the structure of the board of directors and executive compensation plan, to deliver their strategies and goals.

Given this study, I contribute to the ILs, CG and family business literature in different ways. First, I emphasise, define and operationalise family and market logics. Second, I develop and validate a quantitative measurement of the embeddedness of family and market logics, and I present an institutional-based classification of firms, identifying and grouping them as FLDFs, hybrid firms or MLDFs beyond the traditional understanding of the types of firms. Third, I introduce the concept of firm logic orientation, particularly the constructs of familiness and marketness, to define and depict the embeddedness of family and market logics by which a firm is driven. Thus, I mainly develop an index of the logic orientation of firms based on real firm practices and behaviour. Fourth, relative to the extant ownership-based studies, I use a different approach to view and determine the familiness and marketness of firms, applying the perspective of ILs to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours irrespective of family ownership status (or not).

Fifth, from an empirical perspective, I report a difference between FLDFs and MLDFs regarding the firm choice of internal CG configurations, highlighting the influence of firm logic orientation on firm governance. Sixth, I empirically approve and advance the understanding of the implicit role of ILs – family and market logics – as covert drivers of firm behaviour in terms of affecting the setup of firm governance, differentiating the firm choice of internal CG configurations among the logic-based groups of firms. Moreover, in applying the ILs

perspective to the context of CG, I thus provide scholars, policymakers and regulators with a distinct explanation for and expand their understanding of the difference in CG among firms, helping them better develop future CG research, policies and regulations. Lastly, emphasising a different view of the familiness and marketness of firms to explain the discrepancy in CG among firms, I consider an array of CG variables of the board and executive compensation.

The rest of this chapter is organised as follows: Section 2 provides the literature review and hypothesis development. Descriptions of the data, sample and methodology design are presented in Section 3. Section 4 details the findings of the empirical tests of hypotheses, discusses the results of multivariate analysis and provides remarks on the robustness checks. Finally, Section 5 concludes the chapter.

3.2 Literature Review & Hypothesis Development

3.2.1 Institutional Logics: Family & Market

Stemming from institutional theory, Friedland and Alford (1991) describe a shifting point of its key assumption on isomorphism among firms, providing the rapidly growing notion of ILs of which firm practices and behaviour are tangible manifestation (Greenwood et al., 2010). By providing the master principles of society, assumptions, norms, standards and values, ILs present taken-for-granted, resilient prescriptions that help make sense of societal actors' practices and decisions (Thornton, 2004; Greenwood et al., 2010). In other words, at the societal level, ILs represent the rules of the game, forming the core of the key institutions comprising society (Friedland and Alford, 1991). At the firm level, ILs shape firm identities, choices and practices (Mair et al., 2015).

Suggesting a nested hierarchy framework, Thornton (2004) portrays society as a multi-order institutional system that encompasses multiple, main institutions or societal sectors, ranging from the market to the family via religion and the state. Each institution is associated with a central, distinctive logic providing both symbols and material practices that guide the social actions of social actors. Therefore, firms operate in a complex institutional context in which they confront multiple pressures imposed by a plurality of logics that define and set the means of appropriate behaviour (Greenwood et al., 2011). In this sense, ILs coexist, interplay with one another, and yet contradict each other. Accordingly, as Greenwood et al. (2011) assert, ILs can interact for influence on firm behaviour; however, they are often in conflict as their respective guidance and prescriptions comprising the corresponding institution's ongoing principles are inconsistent.

Research on ILs has focussed on the proposition that logics drive firm behaviour, establishing a link between ILs and several firm practices. Emphasising family and market

logics, prior studies have analysed their influence and the interplay between them concerning the economic and strategic behaviours of firms (e.g., Thornton, 2004; Greenwood et al., 2010; Miller et al., 2011). Investigating the lone founder and family-owned or managed firms' strategic priorities, Miller et al. (2011) highlight the opposition of the norms and prescriptions imposed by family and market logics. They mainly argue that the strategic priorities of a business are influenced by the identity and role of key firm actors that explain firm performance. Emphasising family businesses, they claim that family owners and managers are influenced by and devoted to family stakeholders, embracing a family logic in terms of playing a nurturing role and adopting conservation and protection strategies. In contrast, lone founders embrace a market logic, encompassing a wider group of market-oriented stakeholders in terms of implementing growth strategies.

Greenwood et al. (2010) address the firms' experience of and response to multiple logics in terms of the strategies deployed in firms to cope with distinct demands and pressures. They stress the incompatibility of the prescriptions of family and market logics, analysing their distinctive implications on the firm practice of downsizing. On the one hand, describing market logic, they emphasise the market forces in terms of the performance criteria to compare the firm decision on downsizing between high- and low-performing firms. On the other hand, building on the importance of family businesses and relatively different behaviour of family firms, they discuss the family management status of family-owned firms, underlining the core of family logic regarding the firm practice of downsizing, where, compared with market logic, family logic promotes providing job security and protection more effectively.

In a related work, stressing hybrid firms from an institutional perspective, Mair et al. (2015) shed light on their distinct types, emphasising commercial and social welfare logics. Examining the setup of their governance structures in a complex institutional context, the scholars identify two types of hybrids – conforming and dissenting – based on the response strategy adopted by firms to manage institutional complexity. Specifically, they assert that, in governing firms and achieving their strategic objectives, 'conforming firms' prioritise a single, dominant logic, adhering fully to its pressures and demands while complying with the minimum standards of the other logics for legitimacy-seeking purposes. In contrast, 'dissenting firms' manage to combine and balance demands and prescriptions of different logics by selective-coupling or innovation mechanisms, operating under multiple, typically competing, logics. Thus, unlike conforming firms, they permit multiple logics to direct their practices and decisions, resisting the identification with a single logic. In accordance with this, Danisman et al. (2006) assert that firms embrace either one main culture or nature that relates to a single, dominant logic or alternative cultures that reflect coexisting, subdominant logics.

Building on the distinct types of firms regarding the embraced logics and the contradiction in terms of the opposition and incompatibility of family and market logics, in this study, I propose to portray firms as being driven by a single logic that dominantly embeds in and steers firm decision making, and as such, shapes firm practices and behaviour, reflecting the firm culture and nature. Stressing the most prevalent logics of family and market, I primarily suggest depicting family logic in the sense of a family-oriented attitude and preference that fundamentally overlaps the family and business systems, presenting a different business setting in terms of implementing nurture, conservation and protection strategies. In contrast, market logic underlies a shareholder-oriented business setting in terms of the priority of the key economic business objective of profitability and shareholders' wealth maximisation in an archetypal business system, adopting market-oriented growth strategies and emphasising firm performance. In doing this, in this study, I suggest an institutional-based classification of firms into FLDFs, hybrid firms and MLDFs, drawing on the notion of ILs. Specifically, I put forward the concept of 'firm logic orientation', presenting the firm type in terms of the logic-based group concerning the dominant logic embedded in firm decision making, thereby driving firm behaviour. To describe the logic orientation of firms, in this study, I propose the constructs of 'familiness' and 'non-familiness', also referred to as 'marketness'. Primarily, stemming from the perspective of ILs, it is argued that the traditional classification of firms emphasising ownership status (family or not) overlooks the importance of firm behaviour; this prompts the distinction among firms using a different manner from the ownership criteria.

3.2.2 Socioemotional Wealth Preservation

A large body of research has empirically shown that family firms are significantly different from their counterparts – non-family firms – over many strategic choices and managerial decisions. Greenwood et al. (2010) assert that family firms demonstrate a distinct approach to business. Given the distinct practices and behaviour that vary between family and non-family firms, increasing attention has been directed towards the notion of SEW in the recent family business literature (e.g., Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a; Martin et al., 2016; Fitz-Koch and Nordqvist, 2017). SEW primarily highlights a key feature of family firms that distinguishes them from other types of businesses, where it portrays the leading aspect of family-oriented identity and the most important differentiator of family firms (Berrone et al., 2012; Cruz et al., 2014). Particularly, the preservation of SEW is claimed to play a key role in justifying the distinctive behaviour of family firms relative to non-family firms, representing a latent explanatory factor of their practices and decisions.

The popular model of SEW is constructed by Gomez-Mejia et al. (2007) and founded on behavioural agency theory to help explain the differences in firm practices and decisions between family and non-family firms. The sense underlying this theory is that family firms

make strategic choices and managerial decisions based on a reference point that is important for firm's key actors – the dominant shareholders and decision makers. Accordingly, the strategic choices and managerial decisions are made bearing in mind mainly the preservation and/or extension of the SEW of key firm actors as a primary reference point around which the problems, issues and opportunities of family firms are framed. In family firms, preserving the SEW of family members – shareholders and/or managers – is fundamental. When SEW is threatened, family firms' decisions are no longer driven by economic logic; instead, the priority of SEW preservation plays an essential role (Berrone et al., 2012).

The generic concept of SEW refers to the affective endowments relating to the non-economic utilities or benefits linked to the firm. Gomez-Mejia et al. (2007) and Berrone et al. (2012) explain that SEW captures the non-economic utilities or moral benefits derived from the firm in terms of the exercise of personal authority and power, enjoyment of influence and control over the business, possession of social ties and business networks, satisfaction of job security and protection and identification with the firm in terms of reputation, prestige and image. When making strategic choices and managerial decisions in family firms, the preservation of SEW serves as a vital criterion against which decisions' outcomes are evaluated to mitigate the risk exposure of the non-economic utilities derived from the firm. Therefore, in most recent literature, SEW symbolises an important construct that best captures the uniqueness of family firms, effectively differentiating between family and non-family firms (Gomez-Mejia et al., 2011a; Berrone et al., 2012).

Preserving SEW, family firms undertake strategic choices and managerial decisions that facilitate avoiding the potential loss of SEW, albeit at the expense of some firm stakeholders, where loss averseness to SEW outweighs risk averseness to financial objectives. In other words, family firms opt for SEW if reducing financial risk exposes the derived non-economic utilities of firm's key actors to risk. Therefore, the SEW preservation largely reveals a primary basis for the distinct character and essence of family firms as reflected in many behavioural dimensions regarding firm practices and decisions. Specifically, the strategic choices of corporate diversification, earnings management, tax aggressiveness and R&D investment practices within family firms are interestingly argued to be driven by the fundamental role of SEW preservation. The extant family business literature provides empirical evidence that family firms behave distinctly regarding these behavioural dimensions compared with non-family firms (e.g., Anderson and Reeb, 2003a; Jiraporn and DaDalt, 2009; Patel and Chrisman, 2012; Steijvers and Niskanen, 2014), which has entailed further investigation to justify the difference between family and non-family firms through the lens of SEW.

The SEW preservation has priority over the pursuit of economic gains in the case of a potential threat to non-economic utilities; otherwise, the economic logic plays a key role in firm decision making. More importantly, SEW is not considered limited to family businesses (Miller and Le Breton-Miller, 2014). Similarly, Berrone et al. (2010) assert that family ownership or membership is not a condition, and in turn, non-family shareholders and managers can possess different kinds of SEW. In other words, like family members, non-family shareholders and managers also derive some SEW from the firm, extending the non-financial benefits of firms to different groups of family and non-family stakeholders as firm's key actors. Therefore, drawing on the SEW preservation perspective, in this study, I primarily propose to portray FLDFs, in contrast to MLDFs, based on the priority of SEW preservation – a progressively key characterisation of family businesses in recent family business literature – as a family-oriented attitude and preference in relation to firm practices and decisions, capturing the uniqueness of family firm behaviour as opposed to non-family firm behaviour. In other words, detecting a family – and by default a non-family – firm-like behaviour, in this study, I adopt the popular model of SEW, namely the SEW preservation, to depict and differentiate between the behaviours of FLDFs and MLDFs given the contradiction and discrepancy between family and market logics, suggesting that FLDFs and MLDFs behave like family and non-family firms, respectively, in terms of their motives, objectives and essence.

3.2.2.1 Corporate Diversification

Corporate diversification is an effective risk-reduction strategy that establishes the scope of a firm's business operations. As a trade-off, when risk is reduced, diversification tends to lower the overall return. In family firms, this is perceived as a moral hazard conflict between dominant family shareholders and minority shareholders (Faccio and Lang, 2002). Specifically, while diversification largely benefits controlling family shareholders, whose wealth is concentrated in a single business, by reducing the firm exposure to financial risk, it expropriates wealth from minority non-family shareholders in the form of overall return sacrificing (Fernandez, 2002). However, the family business literature provides empirical evidence that, for multiple reasons, family firms diversify less compared with non-family firms.

Anderson and Reeb (2003a) show a negative relationship between family ownership or management and corporate diversification, concluding that family firms tend to mitigate the potential moral hazard conflict between family and non-family shareholders. In accordance with this, Gomez-Mejia et al. (2010) find that family firms are less likely to engage in corporate diversification. On the one hand, because of their large, undiversified wealth, family shareholders have a substantial incentive to maintain their shareholdings at a maximum value. Accordingly, family firms are less likely to engage in diversification strategies that decrease overall returns in reaction to mitigated risk (Anderson and Reeb, 2003a). On the other hand,

more relevantly, as diversification requires extra external funding and managerial talent and expertise, as well as changes to the business routines and operations imposed by the new diversified products or markets, it results in threatening the non-economic benefits of family shareholders and managers (Gomez-Mejia et al., 2010). As such, drawing on the SEW preservation perspective, family firms engage in less corporate diversification to diminish threats to non-pecuniary benefits linked to the firm.

3.2.2.2 Earnings Management

Earnings management reflects the use of managerial judgement in financial reporting, altering the reported numbers for the purpose of either misleading some firm stakeholders about firm performance or influencing the contractual terms that depend on accounting figures (Healy and Wahlen, 1999). In managing earnings, the practice is lawful and compliant with the generally accepted accounting principles (GAAP); however, firms have discretion on how to report earnings and intentionally show managers in as positive a light as possible (Gomez-Mejia et al., 2011a). Thus, it is perceived as unethical behaviour, as managing earnings involves deceiving and misleading financial information users (Martin et al., 2016). Accordingly, although it is not illegal, earnings management is viewed as an accounting distortion that prevents firm stakeholders from making appropriate decisions and assessing managerial performance.

Different studies have reported that family firms are less likely to manage earnings; instead, they provide true accounting numbers regardless of the potential financial advantages. Martin et al. (2016) find that, compared with non-family firms, family firms engage less in earnings management. Similarly, Ali et al. (2007) report that, relative to non-family firms, family firms less frequently manipulate discretionary accruals. Moreover, Chen et al. (2008) state that family firms are more likely to announce earnings warnings in the prevention of negative publicity. Supporting these claims and findings, Cascino et al. (2010) and Wang (2006) find that family firms tend to provide more accurate accounting information compared with their counterparts. These studies explain that, despite its financial advantages, including reduced market for takeover threat and increased stock price, earnings management imposes penalties and harms firm reputation and prestige.

For family shareholders and managers, the preservation of non-economic utilities, in terms of maintaining the authority and power and a good reputation and positive image of the family business with which they are closely identified, as well as the job security and protection, outweighs the potential financial benefits associated with managing earnings. As such, family firms are less likely to manage earnings as a loss aversion concerning SEW. Moreover, according to Martin et al. (2016), as the deterioration of reputation has an adverse effect on firm

performance, family shareholders are unlikely to undertake practices that potentially result in negative financial consequences on their large, undiversified wealth, avoiding a financial hardship.

Similarly, given their concentrated ownership in family firms, family shareholders have strong economic incentives to closely monitor managerial behaviour and performance in the name of protecting their financial welfare. Accordingly, drawing on the substitution effect of ownership concentration (Williamson, 1983), managerial remuneration is less tied to performance, and managers' opportunistic behaviour is more likely to be detected and disciplined. Therefore, managers of family firms have fewer motives to alter the reported accounting numbers, and thus, they are less likely to manage earnings compared with non-family firms (Ali et al., 2007).

3.2.2.3 Tax Aggressiveness

Tax aggressiveness is another firm strategy perceived as an accounting distortion, providing firms with the choice on how they report their taxes, probably in favour of management. Chen et al. (2010) define tax aggressiveness as tax management activities for the purpose of a downward management of taxable income. Despite the tax savings associated with tax avoidance or management, shareholders perceive it as an attempt to conceal the potential rent-seeking activities undertaken by management at their cost.

Chen et al. (2010) and Steijvers and Niskanen (2014) show that, relative to non-family firms, family firms are less tax aggressive. The scholars justify the findings from a SEW preservation perspective where family shareholders or managers are highly concerned about the potential penalty and reputation damage imposed by the Internal Revenue Service (IRS) audit if tax management practice is detected. Emphasising the SEW perspective, family shareholders and managers have substantial incentives to avoid the potential bad publicity and unfavourable reputation associated with tax avoidance and to protect the family name and business. This is because, in addition to financial welfare, their job security and identities in terms of reputation, prestige and image are strongly tied to the firm, and they often view the family businesses as a legacy to be passed to future generations (Gomez-Mejia et al., 2011a).

Therefore, as mentioned earlier, for family shareholders and managers, the preservation of affective endowments, in terms of maintaining the authority and power and a favourable reputation and positive image of the family business with which they are closely identified, as well as the job security and protection, offsets the potential financial benefits associated with tax management. Thus, family firms are less likely to manage taxes as a loss aversion regarding SEW. Further, as the deterioration of reputation has a negative effect on firm performance,

family shareholders are unlikely to undertake practices that potentially result in adverse financial consequences on their large, undiversified wealth, avoiding a financial hardship.

3.2.2.4 R&D Investment

In high-technology firms, R&D investment is an important force to drive growth and innovation for firm's competitive advantage and survival. However, despite the economic benefits associated with R&D, the non-economic utilities derived by family shareholders and managers from the family business may be threatened due to the requirements and aftereffects of R&D investment. In addition, given their concentrated ownership, by undertaking uncertain innovative business projects, the financial welfare of dominant family shareholders is subject to risk because they own large, undiversified shareholdings in the firm.

Prior studies have provided substantial evidence that family firms invest less in R&D relative to their counterparts, highlighting the R&D aspects that can threaten family firms. Munoz-Bullon and Sanchez-Bueno (2011) report that family firms have lower R&D intensity compared with non-family firms. Moreover, Chen and Hsu (2009) find that family ownership has a negative relationship with R&D investment. Similarly, Gomez-Mejia et al. (2011b) report that, among technology-intensive firms, family ownership is negatively associated with R&D intensity.

The scholars explain that, from a SEW preservation perspective, R&D investment entails outside specialised expertise and skills, additional funds to finance innovations and experiments and new routines and methods of business operation, which collectively diminishes the SEW of family shareholders and managers. In turn, the priority of SEW preservation provides a rational explanation for firm decision on less R&D investment in family firms. Moreover, from a financial perspective, family shareholders' wealth is strongly linked to family businesses as they hold large, concentrated proportions of shares that are exposed to a potential risk regarding a financial hardship due to uncertain outcomes of R&D investment (Kotlar et al., 2014). Accordingly, relative to non-family firms, family firms are less likely to invest in R&D.

3.2.3 Firm Identity

According to Greenwood et al. (2011), firms are subject to multiple institutional pressures and demands, which they experience and respond to differently. The scholars mainly justify the unequal effect of pressures imposed by the contradictory logics on firms and firms' distinct strategic responses to them by a filtering process, which is attributed to firm-specific characteristics. Among other characteristics of the firm, they point to the role of firm identity in reacting to the institutional pressures and demands that firms confront. Similarly, Kodeih and Greenwood (2014) discuss the importance of firm identity in responding to institutional

complexity in terms of what a firm is and what it wishes to become. They assert that the identity differences among firms affect the perceptions of opportunities by firms, and in turn, affect their adopted responses. In addition, Ravasi and Schultz (2006) highlight the role of organisational culture in the conceptualisation of firms, stressing the understanding of firm identity and supporting the idea of 'sensemaking' of actions that firms carry out.

In accordance with this, Kraatz and Block (2008) point out that the specificity of firm identity is required for ILs to drive firm behaviour. Furthermore, Mair et al. (2015) assert that, underlying the firm framework and culture, ILs play a key role in shaping firm identities, and in effect, driving firm practices and decisions. As a sensemaking tool, firm identity interprets and gives meaning to firm behaviour (Ravasi and Schultz, 2006). According to organisational identity theory (Albert and Whetten, 2004), the identity provides the firm with a belief system, describing its values, nature and culture, which collectively affect firm strategy and behaviour. In turn, firm identity differentiates some firms from others in the eyes of firm stakeholders concerning the interests and priorities of firms (Scott and Lane, 2000).

At the firm level, the identity is about differentiating firm's attributes from those of counterparts. Further, according to Glynn (2008), firm identity influences the prioritisation of and responses to external demands and pressures, and in turn, affects firm practices that the firm implements. Specifically, to protect the perceived firm identity, key firm actors challenge or comply with the pressures and expectations based on their identity alignment (Sauder and Espeland, 2009). Thus, the sense of firm identity prompts the potential discretion of firms to resist external demands and expectations (Aguilera et al., 2018). Moreover, Greenwood et al. (2011) state that a stronger firm identity implies more conditions towards, and as such, resistance to the demands and pressures that firms encounter.

Drawing on the SEW perspective, the priority of SEW preservation is an essential factor that uniquely characterises family firms, and as such, demonstrates their distinct identity relative to non-family firms, which affects and justifies their distinctive practices and behaviour. According to Berrone et al. (2012) and Cruz et al. (2014), SEW is the most prominent feature of family-oriented identity and a key differentiator of family firms, where it portrays a latent explanatory factor of their distinct behaviour. Stemming from the grounds of behavioural agency theory, SEW is a core reference point around which family firms' problems, issues and opportunities are framed in terms of their corresponding outcomes, and in turn, strategic choices and managerial decisions are made (Gomez-Mejia et al., 2011a).

Consistent with the concept of firm identity regarding setting firms' goals, priorities, interests and responses, the SEW preservation represents a priority in family-oriented firms that affects the evaluation and determination of firm practices and decisions, reflecting firm identity

in terms of what firms are and what they want to be. Accordingly, drawing on the SEW preservation perspective, it is argued that FLDFs possess a unique, influential firm identity relative to MLDFs in relation to the concern for preserving the non-economic utilities of key firm actors, which influences firm practices and decisions.

Following Ravasi and Schultz (2006) and Sauder and Espeland (2009), I integrate the perspectives of SEW and firm identity. Specifically, given that firm identity affects firm interests and priorities, in this study, I suggest that the prioritisation of SEW preservation predominantly reflects the characterisation and distinction of the identity of FLDFs compared with MLDFs, affecting firm practices and behaviour. Emphasising the sensemaking tool of firm identity, such a priority makes sense of the distinct firm behaviour of FLDFs in terms of undertaking practices and decisions that comply with their SEW-related goals, interests and priorities in the name of protecting the non-economic utilities of key firm actors, collectively presenting firm identity. This view stimulates a further investigation of firm practices and decisions from an ILs perspective, where, in this study, I propose a difference between FLDFs and MLDFs in relation to firm identity concerning the firm behaviour triggered by the dominant logic embedded in their decision making.

3.2.4 Corporate Governance Deviance

CG presents a firm aspect that displays differences among business firms. Fundamentally, agency theory addresses the importance of firm governance in terms of controlling the potential agency problems arising from the separation of ownership and management (Jensen and Meckling, 1976; Fama and Jensen, 1983; Eisenhardt, 1989). It introduces the means of control in terms of internal CG configurations, including the board of directors as the core of CG and executive compensation, to handle the potential principal-agent and principal-principal conflicts. CG emphasises an overriding objective of maximising the wealth of shareholders, as the dominant stakeholder group, by increasing firm's financial returns. Given the various CG configurations, firm governance exhibits a remarkable discrepancy among firms in terms of the firm choice of CG configurations.

Family business literature has extensively addressed the difference between family and non-family firms regarding the setup of firm governance (e.g., McConaughy, 2000; Jaskiewicz and Klein, 2007; Jones et al., 2008a; Cruz et al., 2010). Justifying the divergence among firms concerning CG, Gomez-Mejia et al. (2011a) and Berrone et al. (2012) shed light on the crucial role of SEW in family firms. They emphasise that the prioritisation of SEW preservation provides a key differentiator that explains the different strategic choices and managerial decisions of family firms relative to those of non-family firms, where SEW represents a latent explanatory factor. Regarding CG configurations, the preservation of SEW implies deviating

from the CG standards, pressures, demands and expectations, leading to different and perhaps questionable firm governance in terms of the board structure and managerial remuneration. Therefore, drawing on the SEW preservation perspective, it is argued that SEW is an impetus that contributes to and justifies the difference between FLDFs and MLDFs relating to CG.

As discussed above, concerning CG configurations, the empirically proven difference between family and non-family firms suggests that the priority of preserving SEW demonstrates a unique, potent identity of family firms compared with non-family firms, which triggers and makes sense of the distinct firm behaviour. Interestingly, in a recent work, Aguilera et al. (2018) develop the concept of 'CG deviance' to elucidate the nonconformity of CG practices to the dominant governance system. Drawing on the institutional theory, entrepreneurship and CG literature, the scholars assert that firms derive an extent of CG discretion from the firm entrepreneurial identity that gives rise to the deviance of firm governance. Regarding CG, firm practices and decisions are assumed to conform to the national institutions' pressures and demands, which are shareholder-oriented in the US context (Aguilera et al., 2018). However, stemming from the latitude of CG that firms possess upon their identities, firm governance practices can deviate or depart from the established demands, standards and expectations of CG.

In other words, integrating the motive of firm identity and the CG perspective, the greater the CG discretion of firms, the more likely the nonconformity to the prevailing governance practices. Therefore, stressing the perspectives of SEW preservation and firm identity (Greenwood et al., 2011), the identity of family firms is associated with a greater CG latitude, leading to deviant, idiosyncratic firm governance practices relative to the dominant governance practices in the name of preserving the SEW of firm's key actors. As such, emphasising the CG discretion of firms, it is contended that the concern for preserving SEW underpins the distinct identity of FLDFs, which prompts the discrepancy in firm behaviour between FLDFs and MLDFs regarding CG practices, namely the firm choice of internal CG configurations. Specifically, building on the CG deviance perspective (Aguilera et al., 2018), in this study, I apply the perspective of ILs – covert drivers of firm behaviour – to the CG context, suggesting a deviant, idiosyncratic governance system of FLDFs relative to the prevailing, shareholder-oriented governance practices concerning the structure of the board of directors and executive compensation plan.

3.2.4.1 The Board of Directors

In the name of preserving the non-economic benefits derived from the firm, including authority, control and power, job security and protection, prestige and image and social ties, the managers of family firms are likely to prefer and support the appointment of smaller and less independent boards relative to non-family firms. Such a structure of the board of directors limits

the monitoring and advising roles of the board over managerial behaviour and performance in terms of reducing the minds, experience and senses on the board; this is for more manageable negotiation, communication and control. Therefore, firm managers more effectively can protect their affective endowments attached to the firm from being jeopardised in effect of the supervision, evaluation, control and discipline that the board of directors enacts, mitigating exposing SEW to risk.

Further, emphasising the perspective of SEW preservation, the scholars point to the interdependence of firm's financial status and SEW as they both contribute to each other. Specifically, the preservation of SEW of firm's key actors, such as authority and power, reputation and prestige, job security and protection and business networks and social ties, linked to the firm, yields to financial returns and vice versa, given the competitiveness of managerial labour market and the market for takeover threat. According to Miller and Le Breton-Miller (2014), although SEW-related objectives are generally perceived to conflict with financial objectives, economic and non-economic benefits can be mixed and attained simultaneously. That is, fulfilling non-economic objectives helps generate firms' financial returns. Particularly, the concern for preserving or extending the non-economic utilities derived from the firm entails, on the part of family firm managers, making an effort in running the business, effectively engaging with firm stakeholders and eventually enhancing the firm competitiveness and survival, self-motivating managers to act efficiently and not opportunistically (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012).

Moreover, stressing the SEW preservation perspective, family firm managers are likely to bear both financial and SEW-related risks due to their dual utilities closely linked to the firm regarding financial wealth and SEW. Unlike shareholders, managers are undiversified in their financial wealth, which is attached to their careers that also permit their non-economic benefits of power and control, job security, reputation and prestige and social ties. Therefore, as Berrone et al. (2012) explain, poor performance imposes a dual threat to the managers of family firms in terms of financial hardship and SEW loss, given the managerial labour market competitiveness and the threat of takeover market. Thus, family firm managers are likely to be self-incentivised to act efficiently and not opportunistically to preserve both financial wealth and SEW.

Such an interdependence of firm's financial standing and SEW, as well as the dual threat that managers cope with pose a substantial incentive for the managers of family firms to actively safeguard the firm financially, and as such, preserve the SEW attached to the firm. Thus, protecting the affective endowments against any potential loss, family firms managers are self-motivated to voluntarily serve as self-monitored stewards of the business, align interests with those of shareholders and strive to maintain the business success and continuity for a win-

win objective of shareholders and managers. This limits the potential opportunistic behaviour of managers as the loss aversion of current SEW outweighs the pursuit of future gains related to managerial opportunism concerning, for instance, rent-seeking activities. Accordingly, stemming from the SEW preservation perspective, there is less necessity of the respective controlling role of the board of directors regarding its monitoring and advising functions. Thus, regarding the structure of the board of directors, the boards of family firm are smaller and less independent relative to non-family firms (e.g., Anderson and Reeb, 2004; Voordeckers et al., 2007; Bammens et al., 2011; Bettinelli, 2011).

Moreover, like family firm managers, the controlling shareholders of family firms, such as family shareholders, are self-incentivised to voluntarily serve as self-monitored stewards of the business, given their large shareholdings which also endorse authority, power and influence, reputation and prestige and social ties. Thus, they have a substantial incentive to closely and effectively monitor, evaluate and discipline managerial behaviour and performance in the name of protecting their both economic and non-economic benefits linked to the firm. This implies an external control mechanism over the top management of family firms, substituting the monitoring and advising roles of the board regarding the need for large and independent boards (Williamson, 1983).

Further, the dominant shareholders of family firms utilise the boards to practise their power and exercise control over management appointments and decisions (Jones et al., 2008a). Through the board of directors, they preserve their SEW related to authority and control, prestige and image and business networks endorsed by their large shareholdings, and in turn, ensure the fulfilment of their objectives and preferences. Enforcing their ownership and perhaps voting rights, the dominant shareholders prefer appointing boards that actively carry and serve or at least do not hinder their intentions, goals and interests (Gomez-Mejia et al., 2011a). Accordingly, in the name of protecting or expanding their affective endowments, the dominant shareholders support the assembly of smaller, less independent boards comprising inside or affiliated rather than outside directors for more attainable communication, negotiation and control, where they presume interlocking relations and the alignment of interests (Jones et al., 2008a).

Emphasising the SEW preservation perspective that underlies the family logic in the sense of a family-oriented attitude and preference and integrating the perspective of firm identity regarding CG discretion and deviance, it is argued that FLDFs implement deviant, idiosyncratic CG practices relative to the dominant, shareholder-oriented governance system regarding the structure of the board of directors. Particularly, in this study, I suggest that FLDFs

have different boards in terms of size and independence compared with MLDFs that are shareholder-oriented. Building on the above literature, the following hypotheses are proposed:

H1a: Relative to MLDFs, FLDFs appoint smaller boards.

H1b: Relative to MLDFs, FLDFs have less independent boards.

3.2.4.2 Executive Compensation

Building on the SEW perspective, Miller and Le Breton-Miller (2014) assert that the managers of family firms are socially and emotionally motivated by ego satisfaction, career and reputational benefits, deriving affective endowments from the firm. Compared with non-family firms, family firms tend to provide executives with job security and protection, among others, in accordance with family-oriented values and essence. Specifically, they protect and maintain the financial welfare and non-financial benefits of executives and refrain from disciplining them for inferior performance, implying an extent of nepotism and prejudice (Gomez-Mejia et al., 2011a).

This suggests a relaxed linkage between managerial performance and pay, which can be described as a variable incentive pay (Cruz et al., 2010), as well as offering a secure pay, which can be described as fixed and cash pay. Therefore, family firm managers willingly accept (forgo) low (high) total compensation in exchange for the satisfactory plan, on the part of managers, of its components regarding their level and form – base salary, cash and incentive-based compensation – relating to the non-economic utilities linked to the firm. Particularly, such a willingness of executives is in return for job security and protection, in addition to authority and power, prestige and image and social ties that they derive from the firm.

Further, as mentioned above, emphasising the concern for preserving SEW in family firms, the managers of family firms are likely to confront both financial and SEW-related risks because of their dual utilities in terms of financial wealth and SEW tightly attached to the firm. Unlike shareholders, managers are undiversified in their financial wealth, which is tied to their careers that also permit their affective endowments of power and control, reputation and prestige, job security and protection and social ties. Accordingly, as Berrone et al. (2012) explain, poor performance represents a dual threat to firm managers in terms of financial hardship and SEW loss, given the competitiveness of managerial labour market and the market for takeover threat.

Moreover, stressing the perspective of SEW preservation, the priority of preserving or extending the non-economic utilities derived from the firm entails, on the part of family firm managers, making an effort in running the business, effectively engaging with firm stakeholders and eventually enhancing the firm competitiveness and survival. Therefore, given the

competitiveness of managerial labour market and the market for takeover threat, the preservation of the SEW of family firm managers yields to financial returns and vice versa. This implies the interdependence of firm's financial standing and SEW as they both contribute to each other (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012).

As such, family firm managers are likely to be self-motivated to act efficiently and not opportunistically to preserve both financial wealth and SEW. Particularly, such a dual threat, as well as the interdependence of the financial status of firms and SEW pose a substantial incentive for the managers of family firms to actively safeguard the firm financially, and in turn, protect the non-economic benefits derived from the firm. Accordingly, they are self-incentivised to voluntarily serve as self-monitored stewards of the business, align interests with those of shareholders and strive to sustain the business success and survival for a win-win objective of shareholders and managers, preserving SEW against any potential risk.

As previously discussed, this restrains the potential managerial opportunism as the loss aversion of the affective endowments linked to the firm offsets the chase of future gains relating to the opportunistic behaviour of managers. Therefore, stemming from the perspective of SEW preservation, the controlling role of executive compensation related to the managerial motivation and the alignment of managers' and shareholders' interests is of less importance. Thus, concerning the level and form of pay, family firms are more likely to pay lower (higher) executive compensation regarding total and incentive-based compensation – equity-based compensation and bonus – (base salary and cash compensation as a more secure pay) compared with non-family firms (e.g., Gomez-Mejia et al., 2003; Amoako-Adu et al., 2011; Cheng et al., 2015).

Further, like family firm managers, the dominant shareholders of family firms enjoy certain SEW in terms of authority, control and power, prestige and social ties and business networks, which they maintain through the appointment and retention of boards and management teams that support and serve or at least do not contradict their objectives and interests (Jones et al., 2008a). In return, given the large shareholdings of controlling shareholders, they practise their power and influence to provide executives with job security and protection in terms of supporting offering fixed and cash rather than variable incentive pay, further serving to protect the non-economic utilities, including authority and control, prestige and image and social ties, that managers possess. Regarding incentive-based compensation, this represents a lax linkage between managerial performance and pay, where managerial performance and variable incentive pay are decoupled. Interpreting this as an influence of SEW preservation, Cruz et al. (2010) provide empirical evidence of variable pay–performance

decoupling in a family business context for the benefit of family managers' protection against bearing the full risk of incentive-based compensation.

Moreover, given their large shareholdings, the dominant shareholders of family firms derive both economic and non-economic benefits from the firm (Gomez-Mejia et al., 2017). As mentioned above, this provides the dominant shareholders with substantial incentive to closely and effectively monitor, assess and discipline managerial behaviour and performance (Anderson and Reeb, 2003b; Gomez-Mejia et al., 2003; Martin et al., 2016). This suggests as external control mechanism over family firm managers, substituting the managerial motivation and alignment of interests roles of executive compensation concerning the necessity of variable incentive pay, such as equity-based compensation and bonus (Williamson, 1983).

Agency theory explains that, as a variable incentive pay, equity-based compensation aims to motivate risk-averse managers to take more risk in their strategic choices, expecting superior financial returns with a higher market value of firm equity (Dalton et al., 2007). In contrast, applying behavioural agency theory, Martin et al. (2013) provide empirical evidence of the mixed-risk feature of equity-based compensation, challenging the assumption of managers' fixed risk preference. The scholars assert that, as the value of such incentive pay is closely linked to the market value of firm equity, executives encounter both risk-willing and risk-averse motives, balancing the fear of losing current wealth if risk-taking fails and the possibility of generating future wealth if it succeeds.

Equity-based compensation has the potential to make managers take more risk in decision making, which may ultimately have an adverse effect on firm performance and survival due to unexpected factors or uncontrollable circumstances (Gomez-Mejia et al., 2017). This imposes threats to managers' firm-specific wealth, both financial wealth and SEW, as their remuneration, reputation and prestige, authority and power and social ties are tightly attached to the firm. Thus, as mentioned above, the dominant shareholders of family firms exert power and exercise control over the boards – the board compensation committee – to constrain the use of equity-based compensation, providing executives with job security and protection. In doing so, they restrain the potential of excessive risk-taking motives among managers, preserving both the economic and non-economic utilities of both controlling shareholders and managers, who carry and fulfil the goals interests and preferences of dominant shareholders, derived from the firm in accordance with the SEW preservation perspective.

Stressing the perspective of SEW preservation that underlies the family logic in terms of a family-oriented attitude and preference, and incorporating the perspective of firm identity in relation to CG latitude and nonconformity, it is contended that FLDFs undertake deviant, idiosyncratic CG practices in comparison with the dominant, shareholder-oriented governance

system concerning the plan of executive compensation. Specifically, in this study, I propose that FLDFs offer distinct executive compensation regarding total compensation and its components compared with shareholder-oriented MLDFs. Drawing on the literature above, the following hypotheses are formulated:

H2a: Relative to MLDFs, FLDFs pay lower total compensation.

H2b: Relative to MLDFs, FLDFs pay lower equity-based compensation.

H2c: Relative to MLDFs, FLDFs pay higher base salary.

H2d: Relative to MLDFs, FLDFs pay lower bonus.

H2e: Relative to MLDFs, FLDFs pay higher cash compensation.

Figure 3.1 summarises the conceptual framework of study.

3.3 Data & Methodology Design

3.3.1 Sample Selection & Data Description

The sample is based on all firms listed on the S&P 1500 index during the period of 2006–2016. To be included in the sample, firms must be first identified and reported on Compustat (Fundamentals Annual) regarding a range of financial and business segment data. I start with an initial sample of 10591 firm-year observations for about 1400 firms. I then collect the required data of the board and executive compensation from the Institutional Shareholder Services (Directors and Directors Legacy) and Execucomp (Annual Compensation) databases, respectively. I exclude firms with fewer than three board directors to eliminate the likely data entry errors, and firms with fewer than three executives as an indicative number of firm-level executive compensation. In addition, firms must have data on the databases of Thomson Reuters (Institutional 13f Holdings) and the Centre for Research in Security Prices (Monthly Stock Files).

I include firms for which the complete data are available for a minimum of two years. Following literature, I also exclude firms operating in the public utilities and financial services sectors that are subject to distinct regulations (SIC code: 4900-4999 and 6000-6999, respectively). These criteria yield to two final samples[3] for the analyses of the board of directors and executive compensation, separately. A sample is used of 6286 firm-year observations from 987 firms and a sample of 6236 firm-year observations from 971 firms in the period of 2006–2016 for the board of directors analysis and the executive compensation analysis, respectively.

[3] The different samples result as the analyses incorporate different sets of response and explanatory variables for which complete data must be available for a minimum of two years.

Table 3.1 reports the time series and size of the board of directors and executive compensation analyses samples in Panel A and Panel B, respectively.

3.3.2 Variables Construction

3.3.2.1 Dependent Variables

The dependent variables fall into two categories of CG configurations: (1) the board of directors structure, and (2) executive compensation plan. The variables are measured in the traditional way as in the extant literature of CG. For the construction of board and compensation variables, I follow Boone et al. (2007), Chen and Al-Najjar (2012), Guest (2008) and Linck et al. (2008), and Cheng et al. (2015), Conyon (2014), Focke et al. (2017) and Lin et al. (2013), respectively.

The Board of Directors Structure

The board of directors structure is analysed using two variables: (1) board size, and (2) board independence. Data of the board are retrieved from the Institutional Shareholder Services (ISS) database. Board size ($BoardSize$) is defined as the total number of directors on the board of firm i in year t. Board independence ($BoardIndependence$) is calculated as the percentage of outside (independent) directors, as flagged on ISS, on the board of directors of firm i in year t as the number of independent directors divided by board size.

Executive Compensation Plan

The executive compensation plan is analysed using multiple measures, decomposing the managerial remuneration into different compensation components: (1) total compensation, (2) cash compensation, (3) equity-based compensation, (4) bonus, and (5) salary. Executive compensation data are obtained from Execucomp database where the firm-level compensation variables are computed based on the annual average compensation of the top-three paid executives of firm i in year t concerning total compensation.

To minimise the effect of outliers, I log transform each compensation variable in the form of Ln(1+ 'Compensation variable(s)' in Execucomp) in the regression analysis. Total compensation ($TotalComp$) is the natural logarithm of one plus "tdc1" variable in Execucomp which represents the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. Regarding the incentive pay variables, equity-based compensation ($EquityComp$) is measured as the natural logarithm of one plus the sum of grant date fair value of option 'option_awards_fv' and stock awards 'stock_awards_fv', and bonus ($Bonus$) is calculated as the natural logarithm of one plus the sum of cash bonus 'bonus' and non-equity incentives 'noneq_incent' in terms of various

managerial privileges and non-cash awards. Salary ($Salary$) is the fixed component of base compensation measured as the natural logarithm of one plus 'salary' variable in Execucomp. Cash compensation ($CashComp$) is measured as the natural logarithm of one plus the sum of salary 'salary' and cash bonus 'bonus'.

3.3.2.2 Main Independent Variable

In this study, I primarily apply a quantitative measurement of the intangible construct of ILs regarding the embeddedness of particularly family and market logics. Further, I; therefore, suggest a new institutional-based classification of firms where the firm type in terms of the logic-based group represents the key explanatory variable of interest. Mainly, I introduce the concept of 'firm logic orientation' to define and depict the firm type in terms of the logic-based group, namely in relation to the embeddedness of family and market logics by which a firm is driven. Building on the opposition and contradiction of family and market logics (Miller et al., 2011), I suggest different types of firms in effect of the incompatible norms, rules and prescriptions imposed by the contradictory ILs.

Mainly, consistent with prior studies, in this study, I emphasise that the underlying concept of market logic lies in the focus on the primary economic business objective of profitability and shareholders' value maximisation (e.g., Greenwood et al., 2010; Reay et al., 2015), drawing on the firm theory and market discipline perspectives in the sense of aligning managers' and shareholders' interests for the best benefit of shareholders (Bliss, 2004). Whereas, unlike these studies, I expand the definition of family logic beyond family ownership or management. Particularly, building on the extensive literature emphasising the difference between family and non-family firms, I portray family logic as the family-oriented flavour and essence in running the business. Specifically, stemming from the discrepancy between family and non-family firms regarding firm practices and decisions, family logic captures a family-oriented attitude and preference manifested in firm decision making. Thus, in this study, I build on the perspective of SEW preservation growingly highlighted in the family business literature as a key differentiating factor that justifies family firm behaviour (Gomez-Mejia et al., 2011a).

Distinct from the existing ownership-based studies, it is argued that, in a context of institutional complexity, both family and non-family firms are exposed to multiple ILs, namely family and market logics, as covert drivers of firm behaviour imposed by the main institutions of society (Thornton, 2004). Accordingly, in response to the pressures and demands of ILs, I posit that, in practice, family firms can behave like non-family firms and vice versa, and based on firm practices and behaviour, firms thereby can be identified and classified differently apart from ownership status (family or not).

According to Hinings (2012), although there is general acceptance that multiple ILs can coexist and compete, a fairly strong sense emphasises that one logic will be dominant over another, which primarily drives firm behaviour implicitly. Danisman et al. (2006) point out that firms may embed one main culture or nature that reflects a 'dominant logic' at the firm level; however, a 'subdominant logic' may also exist within specific departments or occupations or as an alternative culture within the firm. In addition, Mair et al. (2015) find that, in contrast to dissenting firms that combine, balance and operate under different logics, conforming firms are a type of firms that identify themselves with a single, dominant logic that fully drives their practices and strategic objectives' attainment. Therefore, following Danisman et al. (2006) and Mair et al. (2015), in this study, I suggest, and build the discussion presuming, the domination of either family or market logic within firms – conforming firms – that implicitly drives firm behaviour differently, allowing for an overlap between them, as in dissenting firms, in consistency with the fact that institutional complexity promotes the coexistence and interplay of ILs (Greenwood et al., 2010).

To operationalise the institutional-based classification of firms, in this study, I first identify or proxy for and assess the embeddedness of family and market logics, implicitly embedding in firm decision making, using specific behavioural dimensions widely discussed in the family business literature to differ between family and non-family firms. Specifically, building on the perspective of SEW preservation, family and non-family firms contrast in terms of the practices of corporate diversification, earnings management, tax aggressiveness and R&D investment. More importantly, according to Miller and Le Breton-Miller (2014), SEW is not supposed to be specific to family businesses and members, and in turn, in this study, I presume that key firm actors derive an extent of non-economic benefits from the firm irrespective of family ownership status, which frame the strategic choices of FLDFs and MLDFs differently in accordance with the perspective of SEW preservation (Gomez-Mejia et al., 2011a; Berrone et al., 2012).

The institutional-based approach basically draws on the belief that the ILs embed in firm decision making, and as such, shape firm practices and decisions. As such, firm practices and decisions are best demonstration of embedded ILs (Greenwood et al., 2010). Moreover, it closely aligns with the underlying concept of family logic and its divergence from market logic in terms of emphasising the family-oriented attitude and preference regarding the concern for SEW preservation as opposed to the priority of profitability and shareholders' wealth maximisation. To ensure the internal validity of the proposed proximal measure of the embeddedness of family and market logics and reduce the potential measurement error, the designed approach employs four behavioural dimensions together that reflect areas of contrast between family and non-family firms. Importantly, building on the family business literature

and, particularly, the concept of 'institutional overlap' addressing the intersection between families and their businesses that merely highlights a family-oriented flavour and essence contradictory to or inconsistent with the shareholder-oriented business setting, family and market logics are primarily stressed to be competing each other (Lansberg, 1983).

Therefore, second, quantitively measuring the embeddedness of family and market logics, I suggest the measurement of market logic extent to be the inverse of family logic extent, conveyed by the constructs of 'non-familiness' and 'familiness', respectively. That is, the measurement of logic extent simply denotes both the familiness and non-familiness of firms simultaneously and conversely. For preciseness, simplicity and clarity, I refer to non-familiness as 'marketness', addressing the contrast and opposition of family and market logics. Accordingly, the extent of marketness is simply counter to the extent of familiness.

Logic Extent Operationalisation

Measurement of Behavioural Dimensions Levels

Corporate Diversification Intensity

First, I start with measuring the intensity of corporate diversification (CD_{it}). I use Jacquemin-Berry entropy measure, calculated using historical business segment data from Compustat (Jacquemin and Berry, 1979; Palepu, 1985; Berry, 2010; Park and Jang, 2012).

$$CD_{it} = \sum_{k=1}^{M} P_k \ln\left(\frac{1}{P_k}\right)$$

where CD_{it} is total diversification of firm i in year t, including both related and unrelated diversification, and as CD increases, more diversification is undertaken by the firm. P_k is segment k's share in total firm sales. This measure considers the number of segments in which firms operate and the relative importance and weight of each segment in total firm sales (Palepu, 1985). Despite its limitations as a SIC-based measure focusing on technical similarities of firm value chain, it remains dominant (Nocker et al., 2016). Moreover, relative to other diversification measures, the entropy index has a good construct validity (Berry, 2010).

Earnings Management Magnitude

Second, I measure the magnitude of earnings management's (EM_{it}) as the absolute value of discretionary accruals estimated using the modified Jones model (Dechow et al., 1995; Jones et al., 2008b; Jiraporn and DaDalt, 2009; Linck et al., 2013). Following literature, a minimum of ten firms is required in each industry-year combination where industry is defined by 2-digit SIC code.

$$ta_{it} = B_0 + B_1 \left(\frac{1}{at_{i,t-1}}\right) + B_2 (\Delta rev_{it} - \Delta ar_{it}) + B_3\, ppe_{it} + \varepsilon_{it}$$

where ta_{it} is total accruals of firm i calculated as the difference between income before extraordinary items and operation cashflows of year t; $at_{i,t-1}$ is total assets of year *t-1*; Δrev_{it} is the change in sales revenue from year $t-1$ to t; Δar_{it} is the change in accounts receivable from year $t-1$ to t; ppe_{it} is gross property, plant and equipment of year t; and ε_{it} is the error term. All variables are scaled by $at_{i,t-1}$. For the measurement of earnings management in terms of the discretionary accruals value, it is directly estimated from the model as the residual from regression. Financial data used in the model are retrieved from Compustat.

Tax Aggressiveness Extent

Third, to measure the extent of tax aggressiveness (TA_{it}), I use an inverse measure of the effective tax rate where higher rate indicates lower tax avoidance (Chen et al., 2010; Steijvers and Niskanen, 2014; De Simone et al., 2017).

$$TA = ETR_{it} \times -1$$

$$ETR_{it} = \frac{txt_{it}}{pi_{it}}$$

where ETR_{it} is the effective tax rate of firm i in year t multiplied by (-1) to depict the magnitude of tax aggressiveness. txt_{it} is total tax expense of year t; and pi_{it} is pre-tax income of year t. ETR is set as zero when it is negative or greater than 1. Accounting data required in calculation are retrieved from Compustat.

R&D Investment Level

Fourth, I measure the level of R&D investment (RD_{it}) using R&D intensity ratio capturing the level of R&D spending in relation to firm sales (Block, 2012; Chrisman and Patel, 2012).

$$RD_{it} = \frac{xrd_{it}}{sale_{it}}$$

where xrd_{it} is firm i's R&D expenditure of year t; and $sale_{it}$ is total sales of year t. This ratio is an input measure of firm's innovative performance. Missing values of R&D expenditure are set to zero. Data used in the calculation are obtained from Compustat.

Measurement of Marketness (Non-familiness) Extent

Particularly, firm-year observations are classified according to the extent of logic embedded in firms ($LogicExtent$). Stressing the embeddedness of family and market logics, the extent of logic is primarily determined based on the joint level of the four behavioural dimensions of corporate diversification, earnings management, tax avoidance and R&D investment, of which family firms are empirically proven to have distinct attitude and preference relative to non-family firms. Accordingly, family and non-family firms are well established in literature to be inverses in terms of carrying out above firm practices, and, as such, the logic extent captures the extent of both the familiness and non-familiness, also referred to as marketness, of firms simultaneously and inversely. In other words, drawing on the magnitude of firm practices, as the extent of familiness increases, the marketness extent simply decreases and vice versa.

Specifically, on a year-to-year basis, the firm level of corporate diversification, earnings management, tax aggressiveness and R&D practices is compared with the corresponding industry-year median. Relative to the industry-year median, firms are assigned a value of 1 for high level or a value of 0 for low level of each firm practice. Stressing the SEW preservation perspective, the family business literature has addressed that, relative to non-family firms, family firms are empirically proven to engage less in corporate diversification, earnings management, tax aggressiveness and R&D investment (Gomez-Mejia et al., 2011a). Therefore, importantly, building on the above observed behavioural dimensions that vary between family and non-family firms in the name of preserving the SEW of key firm actors, adding the values together per firm-year, the overall logic extent ranges from 0 to 4 towards higher non-familiness, or marketness, that is, lower familiness of firms. Accordingly, as the logic extent measures the extent of non-familiness which is basically the inverse of familiness, it simply represents both the familiness and marketness of firms simultaneously and conversely.

Particularly, in a given year, the lowest ordinal value a firm scores is 0, where all practices are of low level reflecting a typical family firm-like behaviour in the sense of preserving SEW as a family-oriented attitude and preference, presuming the domination of family logic. Whereas, assuming the domination of market logic, the highest ordinal value is 4, where all practices are of high level reflecting an opposite behaviour to that of family firms, that is, an archetypal non-family firm-like behaviour. Moreover, a middle value of 2 indicates a firm that exhibits an overlap of both family and non-family firm-like behaviours, where the practices are equally high and low, suggesting an interplay of both family and market logics in the same way as in dissenting firms (Mair et al., 2015).

Therefore, concisely, the extent of logic basically measures the extent of non-familiness, also referred to as marketness, that ranges from 0 to 4, where the marketness (familiness) of firms is highest (lowest) at the value of 4 and, contrariwise, the familiness (marketness) of firms is highest (lowest) at the value of 0. This particularly implies that the construct of marketness is an inverse of the familiness construct and vice versa, while a value of 2 indicates a grey area between familiness and marketness; this is hybrid. Further, a value of 1 indicates hybrid-familiness and a value of 3 implies hybrid-marketness, where the level of most practices is low and high, respectively.

Firm Logic Orientation

Building on the extent of non-familiness, or marketness ($LogicExtent$), I develop the logic orientation index that suggests different types of firms regarding the so-called firm logic orientation, defining and depicting the embeddedness of family and market logics by which a firm is driven. Assuming the domination of a single logic as in conforming firms (Mair et al., 2015), the index fundamentally identifies the firm type in terms of the logic-based group related to the familiness, hybrid or marketness logic orientation of firms. In particular, the index classifies firms according to the extent of embedded market logic into three logic-based groups: (1) FLDFs; with a logic extent of 0 or 1 (hybrid-familiness), (2) hybrid firms; with a logic extent of 2, and (3) MLDFs; with a logic extent of 3 (hybrid-marketness) or 4. That is, as illustrated in Table 3.2, firms having a marketness (non-familiness) extent of 0 or 1, 2, and 3 or 4 are classified by the logic orientation index in the first, presenting the familiness logic orientation of firms; second, presenting the hybrid logic orientation of firms; and third, presenting the marketness logic orientation of firms, logic-based group of FLDFs, hybrid firms and MLDFs, respectively.

Accordingly, emphasising the institutional-based classification of firms, I create the main explanatory variable of firm logic orientation ($LogicOrientation$) based on the developed logic orientation index. Mainly, it is a three-level[4] categorical variable that takes a value of "1" for the familiness logic orientation of FLDFs, "2" for the hybrid logic orientation of hybrid firms, or "3" for the marketness logic orientation of MLDFs. Importantly, unlike the ownership-based classification of firms, I allow firms to shift between the categories of the institutional-based classification across years to closely capture the discrepancy in firm behaviour from year to year. So, drawing primarily on the SEW perspective, I come up with an institutional-based classification of firms that represents the logic orientation of firms based on a number of firm

[4] I first tried a five-level index where each group corresponds to one of the different extents of marketness. As expected, I then reduced the grouping dimensions from five to three as the descriptive statistics among the groups; particularly the first and last twos, were quite similar.

practices that vary and, in turn, basically differentiate between FLDFs, hybrid firms and MLDFs.

Post-hoc Test

Using data of the family ownership status of sample firms, I primarily compare and evaluate the newly proposed institutional-based classification of firms as sort of a post-hoc test, expecting a difference between the ownership-based and logic-based – institutional-based – groupings of firms. Specifically, I compare the institutional-based classification with the traditional classification of firms stressing the ownership criteria. I use the family ownership data of sample firms provided by Ron Anderson[5] on his professional webpage. The dataset consists of the 2000 largest US firms based on total assets as of data year 2001 and spans from 2001 through 2010 only. The data are combined and augmented from previous studies of Anderson et al. (2009) and Anderson et al. (2012). The definition of family firms in the dataset is a family ownership (or vote) of at least 5% using a binary variable indicating a family firm if equals to 1 or 0 for a non-family firm.

Over the years 2006-2010, comparing the institutional-based and ownership-based classifications of firms results in an approximate percentage of 53% mismatch between the proposed logic-based groups of firms and the family-firm flag in the dataset of Ron Anderson. While the consistent matching supports the claim that FLDFs and MLDFs behave like family and non-family firms, respectively, in terms of motives, objectives and essence, the inconsistent matching underpins the underlying argument that, realistically, family firms can behave like non-family firms and vice versa, addressing the embeddedness of family and market logics by which a firm is driven that, in turn, shapes firm practices and decisions.

As expected, the ownership-based classification of firms into family and non-family is not perfectly aligned with institutional-based classification. Particularly, reinforcing the new classification of firms, family-flagged firms in Ron Anderson's dataset can be classified in the second or third logic-based group corresponding to hybrid firms and MLDFs, respectively, inferring a divergence from a family firm behaviour – this is also true for non-family firms. In turn, this supports the argument that ownership status alone is not an adequate indicator of the familiness (marketness) orientation – the firm culture and nature – of family (non-family) firms as it ignores the importance of firm behaviour, where, apart from family ownership status, the embeddedness of family and market logics uncovers a different distinction among and classification of firms as real firm practices and decisions manifest.

[5] Professor of finance and active scholar in CG research specialising in family-owned public traded firms. [http://www.ronandersonprofessionalpage.net/data-sets.html]

3.3.3 Empirical Methodology & Model Specification

I primarily examine the effect of ILs in relation to the association between firm logic orientation and the firm choice of internal CG configurations in terms of the structure of the board of directors and the plan of executive compensation, by estimating the following baseline regression models using the pooled samples and ordinary least-squares (OLS) method in the preliminary analysis.

$$\begin{aligned} BoardSize_{it} = {} & \alpha + \beta_1 FamilyFirm_{it} + \beta_2 MarketFirm_{it} + \beta_3 FirmSize_{it} \\ & + \beta_4 Debt_{it} + \beta_5 Growth_{it} + \beta_6 Risk_{it} + \beta_7 FreeCashFlow_{it} \\ & + \beta_8 MarketPerformance_{i,t-1} + \beta_9 ExecutiveOwnership_{it} \\ & + Industry + Year + \varepsilon \end{aligned} \quad (1)$$

$$\begin{aligned} & BoardIndependence_{it} \\ & = \alpha + \beta_1 FamilyFirm_{it} + \beta_2 MarketFirm_{it} + \beta_3 FirmSize_{it} \\ & + \beta_4 Debt_{it} + + \beta_5 Growth_{it} + \beta_6 Risk_{it} \\ & + \beta_7 FreeCashFlow_{it} + \beta_8 MarketPerformance_{i,t-1} \\ & + \beta_9 ExecutiveOwnership_{it} + \beta_{10} ExectiveAge_{it} \\ & + \beta_{11} ExecutiveTenure_{it} + Industry + Year + \varepsilon \end{aligned} \quad (2)$$

$$\begin{aligned} & ExecutiveComp_{it} \\ & = \alpha + \beta_1 FamilyFirm_{it} + \beta_2 MarketFirm_{it} \\ & + \beta_3 FirmSize_{i,t-1} + \beta_4 Growth_{i,t-1} + \beta_5 Debt_{i,t-1} \\ & + \beta_6 FirmAge_{i,t-1} + \beta_7 Risk_{i,t-1} + \beta_8 StockPerformance_{i,t-1} \\ & + \beta_9 MarketPerformance_{i,t-1} + \beta_{10} ExecutiveAge_{i,t-1} \\ & + \beta_{11} ExecutiveTenure_{i,t-1} + \beta_{12} Duality_{i,t-1} \\ & + \beta_{13} BoardSize_{i,t-1} + \beta_{14} BoardIndependence_{i,t-1} \\ & + \beta_{15} ExecutiveOwnership_{i,t-1} \\ & + \beta_{16} InstitutionalOwnership_{i,t-1} + Industry + Year + \varepsilon \end{aligned} \quad (3)$$

In model (1), the dependent variable $BoardSize_{it}$ is the total number of directors on the board. In model (2), the dependent variable $BoardIndependence$ is the percentage of outside (independent) directors on the board. In model (3), the dependent variable $ExecutiveComp_{it}$ represents multiple tested compensation variables of $Salary_{it}$, $Bonus_{it}$, $CashComp_{it}$, $EquityComp_{it}$ and $TotalComp_{it}$.

Testing H1 and H2, I am mainly interested in the effect of the firm type in terms of the logic-based group in light of the firm choice of internal CG configurations. Therefore, to capture

how the embeddedness of family and market logics affects the choice of CG configurations in regression models (1) through (3), I use the firm logic orientation variable ($LogicOrientation_{it}$); a three-level categorical variable which is decomposed into three indicator or dummy variables of which, for multicollinearity-related issues, two are included in the model specification. Specifically, I include into the models both the logic-based group of FLDFs ($FamilyFirm_{it}$), an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of firms, and 0 otherwise; and the logic-based group of MLDFs ($MarketFirm_{it}$), an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of firms, and 0 otherwise.

To avoid perfect collinearity, the middle logic-based group of hybrid firms ($HybridFirm_{it}$) serves as a reference category for which the firm logic orientation value is 2 presenting the hybrid logic orientation of firms; an overlap between familiness and marketness that reflects in firm practices and decisions. I mainly emphasise models' intercepts, that is, the regression models are designed to allow for differences in the intercepts among the logic-based groups. In the baseline models, there are no interaction terms. In this case, I assume that the independent variables in the models have the same effect; slope, for all logic-based groups. However, looking at the intercept of the model, it is expected to be different for hybrid firms ($HybridFirm_{it}$) than for other logic-based groups, FLDFs ($FamilyFirm_{it}$) and MLDFs ($MarketFirm_{it}$). The coefficients' estimates for FLDFs and MLDFs tell how much higher (or lower) their intercepts are compared with that for the reference category of hybrid firms. Hence, the reported intercept (constant) from regression is the intercept for those firms that are neither market logic-driven nor family logic-driven, and the intercept ± coefficient's estimate is the intercept of the corresponding logic-based group other than hybrid firms, indicating the effect of firm type in terms of the logic-based group on the CG configurations of concern.

In models (1) through (3), I primarily stress the impact of firm logic orientation through the empirical window of CG. I use CG configurations, concerning the structure of the board of directors and executive compensation plan, as an output of models stressing firm logic orientation that depicts and defines the firm type in terms of the logic-based group relating to the embeddedness of family and market logics by which a firm is driven. Particularly, emphasising the ILs perspective, CG presents a key business configuration that reflects firm strategic behaviour and decisions, which are tangible manifestation of ILs as hidden drivers of firm behaviour (Friedland and Alford, 1991; Greenwood et al., 2010). Accordingly, stressing the endogeneity concerns, the models mainly address the effect of ILs on an outcome of CG configurations that alone would unlikely determine or drive the logic orientation of firms, which reflects the firm culture and nature, as a reverse causality issue, presenting a more behavioural and descriptive institutional-based approach rather than a normative economic rationality. That

is, considering the possibility of an endogenous relationship between firm logic orientation and CG, I posit that this is not the case and, as such, does not affect the study.

Following the literature (e.g., Boone et al., 2007; Guest, 2008; Linck et al., 2008; Lin et al., 2013; Conyon, 2014; Cheng et al., 2015), I introduce into the models different control variables that are known to impact each of the dependent variables in the analysis. I use multiple proxies for single structural constructs incorporated in the analysis, mainly mitigating the attenuation bias that results from the potential measurement error in proxied variables (Boone et al., 2007; Guest, 2008; Linck et al., 2008). In models (1) and (2), I control for the firm operation complexity using the firm-specific characteristics of firm size ($FirmSize_{it}$), the natural logarithm of firm's sales; capital structure ($Debt_{it}$), the debt financing of firm measured by the ratio of long-term debt to total assets; growth opportunities ($Growth_{it}$), the natural logarithm of market-to-book ratio of equity measured as the market value of equity divided by the book value of equity; and firm risk ($Risk_{it}$), the standard deviation of monthly stock returns over the 12-month period preceding year end.

To control for the monitoring and advising benefits, managers' potential private benefits ($FreeCashFlow_{it}$) are proxied by the free cashflow measure as the cash holdings divided by total assets. Controlling for the managerial characteristics, I emphasise the managerial entrenchment in terms of CEO bargaining power, proxied by CEO ability as perceived by firm performance as the lagged value of market-based performance ($MarketPerformance_{i,t-1}$) using Tobin's Q value as the sum of total assets and market value of equity mins book value of equity scaled by total assets; and CEO influence and seniority in firm, proxied by both CEO age ($ExecutiveAge_{it}$) and tenure ($ExecutiveTenure_{it}$) which is the number of years a CEO has been in firm's position, in addition to CEO ownership ($ExecutiveOwnership_{it}$) which is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.

In model (3), I control for the scope of firm business in terms of the firm-specific economic attributes using firm size ($FirmSize_{i,t-1}$), the natural logarithm of firm's sales; growth opportunities ($Growth_{i,t-1}$), the natural logarithm of market-to-book ratio of equity; capital structure ($Debt_{i,t-1}$), the debt financing of firm measured by the ratio of long-term debt to total assets; firm age ($FirmAge_{i,t-1}$), the natural logarithm of the number of years since a firm has been first appeared on CRSP; and firm risk ($Risk_{i,t-1}$), the standard deviation of monthly stock returns over the 12-month period preceding year end. To control for the managerial characteristics[6], I stress the managerial entrenchment in terms of managerial control,

[6] Due to the unavailability of required data, the variables of concern are based on the data of CEO instead of the top-three paid executives.

power and seniority in firm using CEO age ($ExecutiveAge_{i,t-1}$) and tenure ($ExecutiveTenure_{i,t-1}$) as the number of years a CEO has been in firm's position; and CEO bargaining power using the perceived ability of CEO in terms of firm performance, measured by the market-based ($MarketPerformance_{i,t-1}$) and stock-based performance ($StockPerformance_{i,t-1}$) measure of Tobin's Q value and the annual average stock return, respectively.

Controlling for the ownership structure, I use managerial ownership[6] ($ExecutiveOwnership_{i,t-1}$), the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; and institutional ownership ($InstitutionalOwnership_{i,t-1}$), the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. I also control for the governance characteristics using board size ($BoardSize_{i,t-1}$), the total number of directors on board; board independence ($BoardIndependence_{i,t-1}$), the percentage of outside directors on the board as the number of outside directors divided by the total number of directors on board; and CEO duality ($Duality_{i,t-1}$), an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise. Following the literature, the above variables are lagged one year to mitigate the reverse effect as an issue of potential endogeneity, assuming weakly exogenous variables.

I also use year and industry dummies, controlling respectively for the systematic time effects and trends and the industry fixed effects using Fama and French (1997) 30-industry classification, to control for endogeneity concerns. Moreover, following Hermalin and Weisbach (1988), the board structure and executive compensation plan are relatively persistent where their sample correlation across years is very high, raising the concern about the independence of firm year-to-year observations. Therefore, throughout the regression analysis, I also estimate robust Huber-White standard errors where the observations are clustered at firm level by firm's gvkey to control for the serial correlation. All continuous variables are winsorized at the 1st and 99th percentiles to reduce the effect of influential outliers.

3.3.4 Descriptive Statistics

3.3.4.1 Full Sample

Table 3.3 reports descriptive statistics for the full sample of the board of directors analysis on the logic-based groups, firm-specific characteristics, CEO-specific characteristics, ownership structure and board structure variables. All data are as of the accounting reporting period end. Panel A summarises the logic-based groups of firms. Of the sample observations,

44% is classified in the first group of the logic orientation index presenting FLDFs ($FamilyFirm$), 35% in the second group of hybrid firms ($HybridFirm$) and 21% in the third group of MLDFs ($MarketFirm$).

Panel B reports summary statistics on key firm-specific characteristics. The mean (median) unlogged firm size ($FirmSize$) is \$6.14 (\$1.80) billion. On average (median), debt financing ($Debt$) is 17% (15%) of firm's total assets and unlogged firm growth opportunities ($Growth$) is 3.38 (2.50). The mean (median) firm risk ($Risk$) is 10% (9%). The mean (median) free cashflow ($FreeCashFlow$) is positive at 12% (9%) of firm's total assets. The average (median) market-based performance ($MarketPerformance$) is 2.04 (1.72).

Panels C and D summarise CEO-specific characteristics and ownership structure, respectively. The mean CEO age ($ExecutiveAge$) is 56 years and the CEO has been in position for an average of 12 years ($ExecutiveTenure$). On average, CEOs in the sample hold 2% of firm's outstanding shares ($ExecutiveOwnership$). Panel E reports summary statistics on the board structure. The average board size ($BoardSize$) is 9. The mean (median) percentage of outside (independent) directors on the board ($BoardIndependence$) is 79% (80%).

Table 3.4 reports descriptive statistics for the full sample of executive compensation analysis on the logic-based groups, executive compensation, firm-specific characteristics, executive-specific characteristics, ownership structure and board structure variables. All data are as of the accounting reporting period end. Panel A summarises the logic-based group membership. Of the sample observations, 44% is classified in the first group of the logic orientation index presenting FLDFs ($FamilyFirm$), 35% in the second group of hybrid firms ($HybridFirm$) and 21% in the third group of MLDFs ($MarketFirm$).

Panel B reports summary statistics on unlogged executive compensation based on the annual average compensation of firm's top-three paid executives. The mean (median) total executive compensation ($TotalComp$) is \$3771 (\$2757) thousands. On average (median), executive compensation plan comprises a fixed salary ($Salary$) of \$583 (\$542) thousands and cash compensation ($CashComp$) of \$677 (\$592) thousands of salary and cash bonus. Regarding the variable incentive pay, the mean (median) bonus ($Bonus$) is \$814 (\$520) thousands and the average (median) equity-based compensation ($EquityComp$) is \$2159 (\$1384) thousands of granted stock and options.

Panel C reports summary statistics on key firm-specific characteristics. The mean (median) unlogged firm size ($FirmSize$) is \$6.31 (\$1.80) billion. The mean (median) unlogged firm growth opportunities ($Growth$) is 3.36 (2.50). The firm performance measures are positive with an average (median) market-based performance ($MarketPerformance$) of 2.04 (1.72)

and an average stock-based performance ($StockPerformance$) of 1% (1%). On average, firm age ($FirmAge$) is 32 years and debt financing ($Debt$) is 17% (15%) of firm's total assets. The mean (median) firm risk ($Risk$) is 10% (9%).

Panels D and E summarise executive-specific characteristics and ownership structure, respectively. The mean CEO age ($ExecutiveAge$) is 56 years and the CEO has been in position for an average of 12 years ($ExecutiveTenure$). On average, CEOs in the sample hold 2% of firm's outstanding shares ($ExecutiveOwnership$) and institutional investors own 84% of total shares outstanding ($InstitutionalOwnership$).

Panel F reports summary statistics on the board structure. The average board size ($BoardSize$) is 9. The mean (median) percentage of outside (independent) directors on the board ($BoardIndependence$) is 79% (80%) and 47% of observations report a CEO duality ($Duality$) where the CEO is also the chairman of the board.

3.3.4.2 Subsamples by Logic-based Group

Tables 3.5 and 3.7 report summary statistics on the board structure and executive compensation for the subsamples of the logic-based groups of FLDFs, hybrid firms, and MLDFs. Table 3.5 shows that the logic-based groups of firms differ regarding average board size and independence. On average, FLDFs have smaller and less independent boards compared with hybrid firms and MLDFs. Interestingly, this is consistent with prior studies that have found boards of smaller size and less independence in genuine family firms relative to non-family firms. In consistency, the individual mean-difference t-tests in Table 3.6 suggest that the difference between each pair of the logic-based groups is statistically different from zero for both board size and independence.

Similarly, Table 3.7 shows that average executive compensation varies among the logic-based groups of firms. In comparison with hybrid firms and MLDFs, on average, FLDFs pay lower salary, bonus, equity-based, cash and total compensation. In consistency, the individual mean-difference t-tests in Table 3.8 indicate that the difference between FLDFs and MLDFs regarding the executive compensation plan is statistically different from zero.

In Tables 3.6 and 3.8, I compare the means of the board of directors and executive compensation variables between each two logic-based groups . I use independent t-tests to test the significance of difference in mean of several dependent variables of interest. According to the primary construction and definition of logic-based groups, I expect significant difference particularly between FLDFs and MLDFs in terms of their board structure and executive compensation plan. Overall, the results of individual t-tests empirically prove that FLDFs, hybrid firms and MLDFs are different to some extent in running their businesses concerning the

setup of firm governance. This supports the argument regarding the role of ILs in shaping firm practices and behaviour, which primarily advocates and validates the study's proposed institutional-based classification of firms based on the logic orientation of firms in terms of the extent of embedded family and market logics.

3.3.5 Correlation Matrix

In Tables 3.9 and 3.10, I provide the correlation matrix for all variables included in the board of directors and executive compensation regression models, respectively. Overall, among the main independent and control variables, there is no strong cross-correlation (> 0.50), except between a few variables. A strong correlation among variables possibly indicates their redundancy which may give rise to multicollinearity concerns and attenuation bias of regression results for estimating one structural variable with multiple proxies. Addressing the effect of multicollinearity, I also run the Variance Inflation Factor (VIF) measure upon regressions to check for potential multicollinearity problem where it reports values between 1 and 10.

The correlation between firm type in terms of the logic-based group and both board structure and executive compensation indicates a difference particularly between FLDFs and MLDFs. Interestingly, there is a significant negative (positive) correlation between the familiness (marketness) logic orientation of firms and each of board size, board independence and executive compensation variables. As Table 3.9 reports, in line with the perspectives SEW preservation, firm identity and CG deviance, FLDFs appoint smaller and less independent boards, whereas MLDFs have larger and more independent boards relative to other firms. Further, as shown in Table 3.10, FLDFs (MLDFs) offer lower (higher) total, cash, equity-based, bonus and salary compensation in comparison with other firms.

3.4 Empirical Results & Discussion

3.4.1 Main Multivariate Analysis

3.4.1.1 The Board of Directors

Column (1) in Table 3.11 reports the results from estimating the board size baseline regression model. The coefficients on the indicator variables of FLDFs (*FamilyFirm*) and MLDFs (*MarketFirm*) are interpreted as the difference in board size between both FLDFs and MLDFs and the reference category of hybrid firms driven by both family and market logics (*HybridFirm*), controlling for the firm operation complexity, monitoring and advising benefits and managerial characteristics in the model. The main coefficients are significant at the 5% and 1% significance levels, respectively. *Ceteris paribus*, it is found that FLDFs (–0.188) appoint smaller boards compared with hybrid firms, whereas the boards of MLDFs (0.272) are larger relative to hybrid firms. Compared with the reference category of hybrid firms, this is consistent

with hypothesis H1a, which predicts that the boards of FLDFs will be smaller compared with MLDFs.

Column (1) in Table 3.13 shows the results from estimating the board independence baseline regression model. The coefficients on the indicator variables of FLDFs (*FamilyFirm*) and MLDFs (*MarketFirm*) are interpreted as the difference in board independence between both FLDFs and MLDFs and the reference category of hybrid firms driven by both family and market logics (*HybridFirm*), controlling for the firm operation complexity, monitoring and advising benefits and managerial characteristics in the model. The main coefficients are significant at the 10% and 5% significance levels, respectively. *Ceteris paribus*, it is also found that the boards of FLDFs (–0.00710) are less independent, in terms of the representation of outside directors on the board, relative to hybrid firms. In contrast, MLDFs (0.0102) have more independent boards compared with hybrid firms. In comparison with the reference category of hybrid firms, this supports hypothesis H1b, which proposes that the boards of FLDFs will be less independent relative to MLDFs.

3.4.1.2 Executive Compensation

In Tables 3.15–3.19, Column (1) reports the results from estimating the executive's total, cash, equity-based, bonus and salary compensation baseline regression models, respectively. The coefficients on the indicator variables of FLDFs (*FamilyFirm*) and MLDFs (*MarketFirm*) are interpreted as the difference in each executive compensation measure between both FLDFs and MLDFs and the reference category of hybrid firms driven by both family and market logics (*HybridFirm*), controlling for the firm business scope, governance characteristics, ownership structure and managerial characteristics in the model.

As Table 3.15 reports, c*eteris paribus*, it is found that the managers of FLDFs (–0.0555) receive lower total compensation compared with hybrid firms, whereas MLDFs (0.0706) pay higher total compensation relative to hybrid firms, at a significant level of 1%. Compared with the reference category of hybrid firms, this is consistent with hypothesis H2a, which predicts that, on average, FLDFs will offer lower total compensation relative to MLDFs.

As shown in Table 3.17, *ceteris paribus*, it is also found that FLDFs (–0.140) pay lower equity-based compensation relative to hybrid firms, significant at a 5% significance level. In contrast, the managers of MLDFs (0.0937) receive higher equity-based compensation compared with hybrid firms, at a significance level of 5%. In comparison with the reference category of hybrid firms, this supports hypothesis H2b, which proposes that, on average, FLDFs will offer lower equity-based compensation compared with MLDFs.

In both cash compensation and bonus regressions reported in Tables 3.16 and 3.18, respectively, the coefficients on both FLDFs and MLDFs are insignificant. This indicates that FLDFs and MLDFs are not significantly different from hybrid firms in terms of such compensation forms, and as such, their executives receive similar cash compensation and bonus; this result is inconsistent with hypotheses H2d and H2e. In addition, the coefficients do not fit the hypotheses, which predicts that FLDFs will pay less (higher) bonus (cash compensation) relative to MLDFs. Similarly, in the salary regression reported in Table 3.19, although the coefficients are consistent with hypothesis H2c, the positive coefficients on both FLDFs and MLDFs are insignificant, indicating that FLDFs and MLDFs are not significantly different from hybrid firms in terms of managers' base salary. That is, FLDFs and MLDFs offer an equivalent fixed pay, which does not support the hypothesis. Given that cash compensation encompasses both base salary and cash bonus, a key element of bonus compensation comprising cash and non-cash incentives, the above results suggest that FLDFs and MLDFs pay managers relatively similar base salary and bonus, and thus, an equivalent cash compensation.

3.4.1.3 Discussion

In the main regression analysis, I contrast between FLDFs, hybrid firms and MLDFs regarding the choice of internal CG configurations in terms of the structure of the board of directors and executive compensation plan. I emphasise the main effect of firm logic orientation, which may be familiness, hybrid or marketness. Generally, the results show differences among the logic-based groups of firms in board size, board independence and executive compensation, namely total and equity-based compensation. Overall, the findings suggest that, relative to MLDFs, FLDFs adopt deviant, idiosyncratic governance practices, departing from the dominant shareholder-oriented governance system; this is in line with the SEW preservation perspective.

The analysis of the board of directors suggests interesting results, emphasising the institutional-based classification of firms. The results provide empirical evidence of the association between the logic orientation of firms – familiness and marketness – and CG configurations related to the board of directors structure. The findings show a significant difference between FLDFs and MLDFs in board size and independence. Consistent with the perspective of CG deviance (Aguilera et al., 2018), compared with MLDFs, FLDFs exhibit an extent of CG discretion concerning the board structure. In line with the CG and family business literature regarding the discrepancy in CG practices between family and non-family firms, the results show that FLDFs appoint smaller and less independent boards relative to MLDFs.

Drawing on the core of market logic, shareholder-oriented MLDFs emphasise the overarching objective of CG in relation to shareholders' wealth maximisation. Thus, unlike

FLDFs, MLDFs are likely to comply with the prevailing US governance practices that are, as Aguilera et al. (2018) assert, shareholder-oriented. According to agency theory, which emphasises the best interests of shareholders (Jensen and Meckling, 1976), the board of directors is elected by shareholders – the dominant stakeholder group – to act on their behalf, playing both monitoring and advising roles over the top management of firm. To accomplish this, directors' experience, senses, minds and independence are important, which, controlling for the free-rider problem, entails appointing large and independent boards, such as those of MLDFs, to effectively carry out their monitoring and advising functions.

The deviant structure of the board of directors of FLDFs; however, reveals a unique, influential firm identity that enacts firm's CG latitude in compliance with SEW-related interests, concerns and goals, building on the SEW preservation perspective. According to Berrone et al. (2012) and Cruz et al. (2014), SEW portrays the most prominent feature of family-oriented identity, representing a latent explanatory factor of the distinct behaviour of FLDFs relative to MLDFs. This is in line with the view of Aguilera et al. (2018) that CG discretion is derived from a powerful entrepreneurial identity of firms, yielding to CG deviance.

In accordance with this, Greenwood et al. (2011) point out that the stronger the firm identity, the more the conditions against, and in turn, resistance to pressures and demands. Therefore, it can be said that FLDFs resist the standards, pressures, and demands of CG imposed by the dominant governance system compared with MLDFs; this is in conformity to firm interests and priorities associated with firm identity. Stemming from the institutional theory literature, firm identity determines what a firm is and what it wishes to be (Kodeih and Greenwood, 2014). Accordingly, as Glynn (2008) asserts, the identity of firms plays a key role in setting firm interests and priorities. Emphasising the affective endowments of firm's key actors, the priority of SEW preservation is a distinguishing factor that uniquely characterises FLDFs, and as such, reflects their distinct, potent identity, which affects and justifies their distinctive practices and behaviour.

Thus, incorporating the firm identity and SEW perspectives, it can be stated that the concern for preserving SEW provides a demonstration of the characterisation and distinction of the identity of FLDF concerning their SEW-related interests and goals. Unlike MLDFs, which prioritise a primary economic business objective of profitability and shareholders' wealth maximisation by definition, FLDFs identify themselves with a family-oriented attitude and preference in terms of prioritising SEW preservation. Particularly, following Gomez-Mejia et al. (2007), SEW poses a key reference point for FLDFs around which they frame their practices and decisions. Thus, regarding the structure of the board of directors, FLDFs avoid CG practices that expose the SEW of key firm actors to risk.

Accordingly, in the name of preserving their non-economic utilities, such as authority, control and power, job security and protection, prestige and image and social ties, derived from the firm, it can be said the managers of FLDFs are likely to favour and advocate the appointment of smaller and less independent boards relative to MLDFs. Thus, such a structure of the board of directors restrains the monitoring and advising roles of the board over managerial behaviour and performance in terms of lessening the minds, experience and senses on the board. In turn, FLDF managers more effectively can protect their affective endowments attached to the firm from being jeopardised in effect of the supervision, evaluation, control and discipline that the board of directors enacts, alleviating the risk exposure of SEW. Accordingly, the boards of FLDFs show to be smaller and less independent compared with MLDFs.

Moreover, the preservation of the SEW of FLDF managers contributes to financial returns and vice versa, given the competitiveness of managerial labour market and the market for takeover threat. In other words, according to Miller and Le Breton-Miller (2014), economic and non-economic benefits can be mixed and attained simultaneously. Therefore, fulfilling the non-economic objectives helps generate firms' financial returns, implying the interdependence of firm's financial standing and SEW. Thus, the concern for preserving or extending the non-economic utilities derived from the firm entails, on the part of FLDF managers, making an effort in running the business, effectively engaging with firm stakeholders and eventually enhancing firm's competitive advantage and survival (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012). As such, it can be stated that the managers of FLDFs are self-motivated to act efficiently and not opportunistically in the name of protecting SEW.

Further, stressing the SEW perspective, the managers of FLDFs are likely to endure both financial and SEW-related risks in accordance with their dual utilities closely attached to the firm in terms of financial wealth and SEW. Unlike shareholders, managers are undiversified in their financial wealth, which is linked to their careers that also endorse their non-economic benefits of power and control, job security and protection, reputation and prestige and business networks. As such, as Berrone et al. (2012) explain, poor performance presents a dual threat to FLDF managers regarding financial hardship and SEW loss, given the managerial labour market competitiveness and the threat of takeover market. Accordingly, it can be said they are likely to be self-incentivised to act efficiently and not opportunistically to preserve both financial wealth and SEW.

Such an interdependence of firm's financial status and SEW, as well as the dual threat that they encounter provide FLDF managers with a substantial incentive to actively safeguard the firm financially, and as such, protect the non-economic utilities derived from the firm.

Therefore, preserving the affective endowments against any potential loss, it can be stated that the managers of FLDFs are self-motivated to voluntarily serve as self-monitored stewards of the business, align interests with those of shareholders and strive to maintain the business success and continuity for a win-win objective of shareholders and managers. This restricts the potential opportunistic behaviour of managers as the loss aversion of current SEW offsets the chase of future gains related to managerial opportunism. Thus, stemming from the SEW preservation perspective, it can be said that the respective controlling role of the board of directors relating to monitoring an advising top management are of less importance in FLDFs. Specifically, there is less need for large, independent boards in FLDFs compared with MLDFs. As such, FLDFs appear to appoint smaller and less independent boards relative to MLDFs.

Further, like FLDF managers, it can be stated that the controlling shareholders of FLDFs are self-motivated to voluntarily act as self-monitored stewards of the business, given their large shareholdings that permit their non-economic utilities as well, including authority and power, prestige and social ties. Accordingly, they closely and effectively oversee, evaluate and discipline managerial behaviour and performance in the name of protecting their both economic and non-economic benefits linked to the firm. This substitutes the monitoring and advising roles of the boards of FLDFs, relative to MLDFs, in relation to such an external control mechanism over top management (Williamson, 1983), diminishing the necessity of large, independent boards.

Moreover, the dominant shareholders of FLDFs portray the boards as a tool to practise their power and exercise control over management appointments and decisions (Jones et al., 2008a). Through the board of directors, they preserve their affective endowments of authority and control, prestige and business networks entitled by their large shareholdings, and in turn, ensure the satisfaction of their interests and preferences. Taking advantage of their ownership and perhaps voting rights, it can be said the controlling shareholders appoint boards that actively advocate and serve or at least do not deter their intentions and goals (Gomez-Mejia et al., 2011a). Therefore, in the name of protecting their SEW, the dominant shareholders of FLDFs support the appointment of smaller, less independent boards compared with MLDFs for more attainable communication, negotiation and control. Particularly, they elect inside or affiliated rather than outside directors, presuming interlocking relations and the alignment of interests (Jones et al., 2008a). Accordingly, relative to MLDFs, FLDFs show to have smaller and less independent boards.

Stressing the institutional-based classification of firms, the results provide interesting empirical findings on the difference between FLDFs and MLDFs in terms of the board of directors structure. The empirical evidence of the distinct choices of internal CG configurations

relating to the board of directors among the logic-based groups of firms – FLDFs, hybrid firms and MLDFs – provides a new institutional-based explanation for the discrepancy in CG observed among firms. Additionally, witnessed by the CG configurations of board size and independence, the results demonstrate distinct types of firms relating to the firm logic orientations of familiness and marketness, which are associated with different CG practices. Importantly, emphasising the logic orientation of firms, the difference between FLDFs and MLDFs in the structure of the board of directors gives empirical evidence on the role of ILs in shaping firm practices and behaviour (Greenwood et al., 2010).

This supports the operationalisation of both family and market logics regarding the embeddedness of ILs in firm decision making, as well as the institutional-based classification of firms in this study. Moreover, emphasising the institutional-based classification, the results also oppose the requirements of the Sarbanes-Oxley Act of 2002 relating to enhancing the internal CG configurations of US public firms (Valenti, 2008), which suggest that the board structure across firms is homogeneous; this supports the claim regarding the role of ILs in driving firm behaviour apart from ownership status (family or not). From the regulators' point of view, this indicates that the CG pressures and demands to standardise the structure of the board of directors have not been effective.

The analysis of executive compensation suggests different, inconsistent results, emphasising the institutional-based classification of firms. In line with the board of directors analysis, the results provide empirical evidence of the association between the logic orientation of firms – familiness and marketness – and CG configurations related to the executive compensation plan. The findings report a significant difference between FLDFs and MLDFs in total and equity-based compensation. Again, the results are in line with the perspective of CG deviance (Aguilera et al., 2018), illustrating the CG discretion of FLDFs over the configuration of executive compensation regarding the level and form of pay relative to MLDFs.

The findings show that the executives of FLDFs receive lower total and equity-based compensation compared with MLDFs, consistent with the CG and family business literature in relation to the difference in CG practices between family and non-family firms. Building on the core of family logic, FLDFs prioritise the preservation of the SEW of key firm actors as a family-oriented attitude and preference. This contrasts with the economic logic of running the business relating to the primary economic business objective of profitability and shareholders' wealth maximisation prioritised by MLDFs. Therefore, unlike shareholder-oriented MLDFs, FLDFs do not conform to the prevailing governance system, which is shareholder-oriented in the US context in terms of its central objective of maximising shareholders' wealth.

Agency theory mainly regards executive compensation as a contractual relationship between managers and firms. The executive compensation plan serves as an internal governance tool to control and discipline the potential opportunistic behaviour of managers and facilitate the alignment of the interests of managers and shareholders (Jensen and Meckling, 1976). This suggests the optimal executive contract in terms of level and components. However, as discussed above, the distinct executive compensation plan of FLDFs implies a unique, influential firm identity. In turn, the identity of FLDFs drives their CG discretion in accordance with firm interests and priorities in terms of SEW-related concerns and goals, drawing on the perspective of SEW preservation.

This results in departing from the dominant governance practices, as Aguilera et al. (2018) assert. As firm identity becomes more powerful, firms enforce more conditions towards, and in turn, resistance to pressures and standards, exerting an extent of latitude over firm practices and decisions (Greenwood et al., 2011). Thus, in conformity to firm interests and priorities associated with firm identity, it can be said that FLDFs oppose the demands and expectations of CG imposed by the prevailing governance practices compared with MLDFs, deviating from the prevailing governance system. According to Kodeih and Greenwood (2014), firm identity presents what a firm is and what it wants to become. Therefore, it affects how firms determine their interests and priorities (Glynn, 2008).

As discussed above, building on the perspectives of firm identity and SEW, the priority of SEW preservation reflects the characterisation and distinction of FLDFs' identity regarding their interests and concerns. As mentioned earlier, in contrast to MLDFs that prioritise profitability and shareholders' wealth maximisation, FLDFs present a family-oriented attitude and preference in terms of the priority of SEW preservation. Specifically, the non-economic benefits attached to the firm are a main reference point around which FLDFs frame their practices and decisions. Accordingly, regarding the executive compensation plan, FLDFs avoid CG practices that impose a potential loss of the SEW of firm's key actors.

Drawing on the SEW perspective, it can be stated that FLDF managers are socially and emotionally motivated by ego satisfaction, career and reputational benefits (Miller and Le Breton-Miller, 2014), in terms of deriving the affective endowments of authority, control and power, job security and protection, image and prestige and social ties from the firm. Accordingly, in return, they accept lower total compensation relative to MLDFs. In accordance with this, the managers of FLDFs receive lower equity-based compensation compared with MLDFs in relation to job security and protection in terms of decoupling managerial performance and pay.

Particularly, it can be said that FLDFs protect the financial welfare of top executives associated with their career positions in terms of avoiding disciplining them for inferior performance, which implies an extent of nepotism and prejudice (Gomez-Mejia et al., 2011a). This suggests a relaxed linkage between managerial performance and pay (Cruz et al., 2010). As such, relative to MLDFs, FLDF managers forgo high total compensation given the satisfactory plan of its components, namely low equity-based compensation, in relation to the non-economic utilities linked to the firm. In other words, the job security and protection, as well as authority and power, prestige and reputation and business networks that the managers of FLDFs derive from the firm prompt such a willingness. As such, compared with MLDFs, FLDFs appear to offer lower total and equity-based compensation.

Moreover, as previously mentioned, emphasising the priority of preserving SEW, FLDF managers are likely to confront both financial and SEW-related risks because of their dual utilities linked to the firm regarding financial wealth and SEW. Unlike shareholders, managers are undiversified in their financial wealth, which is attached to their careers that also permit their affective endowments of power and control, reputation and image, job security and social ties. Accordingly, as Berrone et al. (2012) state, poor performance imposes a dual threat to managers of FLDFs in terms of financial hardship and the risk exposure of SEW, given the competitiveness of managerial labour market and the market for takeover threat.

Further, stressing the perspective of SEW preservation, the priority of preserving or extending the non-economic utilities derived from the firm entails, on the part of FLDF managers, making an effort in running the business, effectively engaging with firm stakeholders and eventually enhancing the firm competitiveness and survival. Therefore, given the competitiveness of managerial labour market and the market for takeover threat, the preservation of SEW of FLDF managers yields to financial returns and vice versa. This indicates the interdependence of firm's financial status and SEW as they both contribute to each other (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012).

Therefore, it can be stated that FLDF managers are likely to be self-incentivised to act efficiently and not opportunistically to protect their both financial wealth and SEW. Particularly, such a dual threat, as well as the interdependence of the financial standing of firms and SEW provide them with a substantial incentive to actively protect the firm financially, and as such, preserve the affective endowments attached to the firm. Accordingly, preserving their SEW against risk exposure, the managers of FLDFs are self-motivated to voluntarily serve as self-monitored stewards of the business, conform interests to those of shareholders and keenly work to maintain business success and continuity for a win-win goal of shareholders and managers.

Thus, as discussed above, this limits the potential opportunistic behaviour of FLDF managers as the loss aversion of the non-economic utilities derived from the firm outweighs the pursuit of any future gains. Accordingly, stemming from the perspective of SEW preservation, it can be said the necessity of the respective controlling role of executive compensation related to the managerial motivation and alignment of interests is restricted. Thus, regarding the level and form of pay, FLDFs show to offer less executive compensation concerning total and equity-based compensation relative to MLDFs.

Like FLDF managers, the dominant shareholders derive some SEW in terms of authority, control and power, prestige and social ties, which they sustain through the appointment and retention of boards and management teams that support and fulfil or at least do not hinder their objectives and interests (Jones et al., 2008a). Thus, given their large shareholdings, it can be stated that FLDF controlling shareholders practise their authority and power to provide managers with job security and protection in terms of advocating the fixed and cash rather than variable incentive pay of mangers, further serving to maintain the affective endowments, including authority and control, reputation and image and social ties and business networks, that managers enjoy. Concerning equity-based compensation, this represents a lax linkage between performance and pay, where managerial performance and pay are decoupled in FLDFs compared with MLDFs to refrain bearing the full risk of such incentive-based compensation by managers.

Further, as mentioned above, the controlling shareholders of FLDFs derive both economic and non-economic benefits from the firm given their large shareholdings (Gomez-Mejia et al., 2017). Therefore, it can be said that they have a substantial incentive to closely and effectively oversee, evaluate and discipline managerial behaviour and performance to protect their both financial wealth and SEW attached to the firm (Anderson and Reeb, 2003b; Gomez-Mejia et al., 2003; Martin et al., 2016), voluntarily serving as self-monitored stewards of the business. Emphasising the managerial motivation and the alignment of interests roles of executive compensation, this limits the need for high variable incentive pay, such as equity-based compensation, and total compensation due to the substitution effect of such an external control mechanism.

Moreover, drawing on behavioural agency theory, equity-based compensation challenges the assumption of managers' fixed risk preference in relation to its mixed risk feature (Martin et al., 2013). As the value of such variable incentive pay is closely linked to the market value of firm equity, executives encounter both risk-willing and risk-averse motives, balancing the fear of losing current wealth if risk-taking fails and the possibility of generating future wealth if it succeeds. Accordingly, equity-based compensation has the potential to make FLDF managers

take more risk in decision making, which may ultimately have an adverse effect on firm performance and survival due to unexpected factors or uncontrollable circumstances (Gomez-Mejia et al., 2017).

This imposes threat to managers' firm-specific wealth, both financial wealth and SEW, as their remuneration, authority and power, reputation and prestige, job security and business networks are tightly attached to the firm. Thus, as discussed earlier, it can be stated that the dominant shareholders of FLDFs exert power and influence over the boards, namely the board compensation committee, to restrict the use of equity-based compensation, providing managers with job security and protection. Accordingly, they limit the potential of excessive risk-taking motives among managers, protecting both the economic and non-economic utilities of both controlling shareholders and managers of FLDFs, who in return support and serve the goals and preferences of dominant shareholders, derived from the firm in line with the SEW preservation perspective. Therefore, compared with MLDFs, FLDFs appear to pay lower equity-based compensation.

Stressing the institutional-based classification of firms, the results provide interesting empirical findings on the difference between FLDFs and MLDFs in terms of the executive compensation plan. The empirical evidence of the distinct choices of internal CG configurations relating to executive compensation among the logic-based groups of firms – FLDFs, hybrid firms and MLDFs – provides a new institutional-based explanation for the difference in CG observed among firms. In addition, viewed by the CG configurations of total and equity-based compensation, the findings reveal different types of firms in terms of the logic orientations of familiness and marketness, which are associated with distinct CG practices. Importantly, emphasising the logic orientation of firms, the discrepancy between FLDFs and MLDFs in the plan of executive compensation puts forward empirical evidence of the role of ILs in shaping firm practices and behaviour (Greenwood et al., 2010). This supports the operationalisation of both family and market logics regarding the embeddedness of ILs in firm decision making, as well as the institutional-based classification of firms in this study.

As shown by the non-significant results, FLDFs and MLDFs seem to be homogenous regarding base salary, bonus and cash compensation. This points to another, interesting finding that FLDFs and MLDFs pay quite similar managerial remuneration to top managers concerning such compensation forms. Perhaps the sample firms do not act differently in terms of planning base salary, bonus and cash compensation because, first, they all belong to the S&P 1500 index, which relates to a single competitive managerial labour market. As a matter of fact, US firms compete for the same executives, so they cannot offer significantly different pay from competitors; otherwise, they will not recruit satisfactory and sufficient managerial talent and

skills to run the business. Thus, given the competitiveness of managerial labour market, MLDFs may attract and maintain experienced managers by offering similar compensation forms, namely base salary and cash compensation, which are primarily more appealing and secure in terms of securing the financial wealth and welfare of managers, as well as bonus in terms of various managerial privileges and non-cash incentives, to those paid by FLDFs in the name of providing job security and protection.

Second, FLDFs may no longer be seen as entities that do not reward the risk coped by, and thus, the performance of managers regarding bonus compensation. It is perhaps because FLDFs may competitively catch up with the trend of MLDFs relating to executive compensation given the competitiveness of managerial labour market. In the sense that FLDFs are mimicking MLDFs, the professionals on the boards of FLDFs may set well-designed executive compensation plans concerning bonus as a variable incentive pay of short-term focus. Emphasising the perspective of SEW, this implies short-term rather than long-term coupling of managerial performance and pay in compliance with job security and protection. Therefore, compared with MLDFs, FLDFs may offer similar bonus to hire and hold talented managers in a competitive managerial labour market. In addition, the big audit firms may play an essential role in aligning the executive compensation of bonus offered by FLDFs with that paid by their competitors on the S&P 1500 index.

3.4.2 Robustness Checks

In this study, I include additional techniques accounting for econometric and endogeneity concerns. Regarding the board of directors analysis, instrumental variables are introduced for board size and independence into the models as a robustness check. Specifically, the instrumental variables of the lagged values of other board characteristics are included because board size and independence are likely to be endogenously determined. As shown in Column (2) in Tables 3.11 and 3.13, the results do not change the conclusions about the difference in the structure of the board of directors between FLDFs and MLDFs; however, the significance of the main independent variables' coefficients changes slightly downward.

As an additional robustness check, the board size, board independence and executive compensation models are estimated with the firm random effects, as shown in Column (3) in Tables 3.11, 3.13 and Column (2) in Tables 3.15–3.19, respectively, controlling for firms' idiosyncratic trends that could randomly affect the setup of firm governance. This is in line with the fact that, according to the observed behavioural dimensions, firms are allowed to shift between the logic-based groups of the institutional-based classification across years to closely capture the variation in firm behaviour from year to year, not restricting firms to a fixed firm type across years. The results do not alter the conclusions about the difference between FLDFs

and MLDFs in the various dependent variables of the board of directors and executive compensation; however, some power of the main independent variables is lost.

To mitigate the endogeneity concerns, both the industry and year effects are included in all the models, controlling for the industry and time trends of CG. As a robustness check accounting for endogeneity, the models are estimated using a dynamic panel-data estimation procedure that only assumes weak exogeneity; this allows the corresponding dependent variables to be affected by past changes in the board structure and executive compensation. As Column (4) in Tables 3.11 and 3.13 and Column (3) in Tables 3.15–3.19 report, the results verify the conclusions about the difference between FLDFs and MLDFs in the various dependent variables of the board of directors and executive compensation; however, the significance of the main independent variables' coefficients changes slightly downward.

Running another robustness check, I go a step further. Apart from the institutional-based classification of firms, the family ownership status of firms is used to categorise the sample firms under the same empirical setting. Instead of using the indicators of the logic orientation of firms, the ownership-based classification of firms is applied using a traditional indicator to flag family (=1) and non-family (=0) firms based on family ownership. The data of family ownership are retrieved from the list prepared and provided online by Ron Anderson, restricting the sample to years 2006 through 2010 per the availability of family ownership data. For a firm to be flagged as a family firm, the threshold is holdings of a 5% ownership or voting rights.

Overall, as shown in Tables 3.12, 3.14 and 3.20, the results of the main regression analysis are robust regarding the difference in the structure of the board of directors, in terms of board size and independence, and the executive compensation of total and equity-based compensation, comparing the sample of family and non-family firms with FLDFs and MLDFs, respectively. The robustness of the main regression analysis findings underpins the argument that, stressing the ILs perspective, FLDFs and MLDFs behave like family and non-family firms, respectively, in terms of their motives, objectives and essence, emphasising firm behaviour irrespective of ownership status (family or not). That is, some commonalities and similarities between FLDFs (MLDFs) and family (non-family) firms are expected.

Paralleling family and non-family firms with FLDFs and MLDFs, respectively, it is found that the boards of family firms are smaller and less independent compared with non-family firms, which is consistent with hypotheses H1a and H1b. In addition, supporting hypotheses H2a and H2b, it is also found that non-family firms pay higher total and equity-based compensation relative to family firms. Further, like FLDFs and MLDFs, respectively, family and non-family firms offer similar compensation forms regarding base salary, cash compensation and bonus in terms of various managerial privileges and non-cash incentives.

Therefore, FLDFs and MLDFs demonstrate isomorphic behaviour compared with that of family and non-family firms, respectively, in terms of the choice of internal CG configurations. Thus, relative to the traditional split of family and non-family firms, in this study, I establish an institutional-based classification of firms that depends on actual firm behaviour irrespective of ownership status (family or not), building on the idea that ILs provide the guidance and prescriptions of firm practices and decisions.

Stressing family ownership status, the robustness of results supports the underlying concept concerning the role of ILs, namely family and market logics, in driving firm behaviour and shaping firm practices and decisions relating to CG configurations. Moreover, the alignment of results reinforces the institutional-based classification of firms that builds on a number of observed behavioural dimensions, underpinning the developed logic orientation index that essentially identifies and classifies firms based on the differences in real firm practices and decisions. Therefore, the results empirically support the different view of the familiness and marketness of firms, namely the concept of firm logic orientation that depicts and defines the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven. That is, interestingly, such a robustness strongly supports and validates the proposed institutional-based approach of categorising firms compared with the traditional ownership-based classification. The emphasis on ILs as covert drivers of firm behaviour particularly sheds light on a latent explanatory institutional factor, namely the logic orientation of firms; this presents the culture and nature of firms, and in turn, flags firms in a different manner beyond the ownership criteria.

Moreover, this addresses that relative to the traditional classification of family and non-family firms, grouping firms as FLDFs and MLDFs has the advantage of being a faster and smarter approach. The conventional ownership-based classification of firms requires time and effort spent browsing the proxy statements and annual reports of firms to find out about ownership status (family or not). In contrast, the institutional-based classification of firms is an accounting-based process that stresses real firm practices and decisions. Particularly, it incorporates multiple behavioural dimensions measured using financial data easily accessible through various databases, drawing primarily on the existing family business research.

3.5 Conclusion

Emphasising firm behaviour, firms exhibit different practices and decisions that prompt various areas of investigation. To explain such a difference, Friedland and Alford (1991) introduce the notion of ILs as being latently embedded in firm decision making, underlying the culture and nature of firms, and as such, driving firm behaviour. ILs provide the prescriptions and means of appropriate behaviour, proxying for firm behaviour (Thornton and Ocasio, 2008;

Greenwood et al., 2011). Despite the growing literature of ILs, no attention has been paid to the role of ILs as latent drivers of firm behaviour in shaping firm governance practices. The core of this study lies in the application of ILs perspective to the concept of distinction among firms beyond the conventional understanding and classification of firms, emphasising the context of CG regarding whether and how firms vary in CG practices.

Stressing the role of ILs in shaping firm practices and decisions, I emphasised and operationalised both family and market logics. I built on the perspective of SEW relating to the non-economic benefits of key firm actors – owners and managers – derived from the firm that present a main reference point of firm practices and decisions. SEW is a key distinguishing factor that captures the uniqueness of family firm behaviour, which has increasingly been highlighted in the family business literature. Particularily, drawing on the priority of SEW preservation, I identified and classified firms according to real firm practices and decisions.

In doing so, this study differentiates itself from the the extant family-oriented studies that have commonly emphsised the ownership criteria in terms of ownership status (family or not), which is believed to neglect the importance of firm behaviour. To investigate the discrepancy in firm behaviour, in this study, I presented the concept of firm logic orientation, specifically the constructs of familiness and marketness to define and depict the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven. In doing so, I developed an index of the logic orientation of firms and introduced an institutional-based classification of FLDFs, hybrid firms and MLDFs based on several behavioural dimensions.

Drawing on the SEW preservation perspective, in this study, I portrayed FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence. Primarily, I depicted MLDFs as shareholder-oriented firms that prioritise the primary economic business objective of profitability and shareholders' wealth maximisation, exhibiting an archetypal business setting. In contrast, presenting a different business setting, FLDFs exhibit a family-oriented attitude and preference in terms of prioritising the preservation of SEW attached to the firm, overlapping the family and business systems. Moreover, hybrid firms display an intersection between FLDFs and MLDFs concerning firm practices and decisions, overlapping family and market logics.

In this study, I provided empirical evidence that ILs give a viable explanation for the difference in CG among firms by examining the association between firm logic orientation and the firm choice of internal CG configurations. This study has an important implication for detecting the contrast between FLDFs and MLDFs concerning CG configurations. It stressed whether and how firm logic orientation affects the firm choice of internal CG configurations.

Consistent with the perspective of ILs, the structure of the board of directors and executive compensation plan showed to vary according to the logic orientation of firms, where family and market logics drive firm practices and decisions differently. Overall, I found that, relative to MLDFs, FLDFs exhibit a distinct choice of board size, board independence and executive compensation. Particularly, the boards of FLDFs are smaller and less independent compared with MLDFs. Moreover, relative to MLDFs, FLDFs pay lower total and equity-based compensation.

In line with the CG deviance perspective (Aguilera et al., 2018), these findings suggested a unique, influential identity of FLDFs in accordance with the priority of SEW preservation, which yields their CG discretion. SEW is the most prominent feature of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), which characterises FLDFs as opposed to MLDFs regarding SEW-related interests and goals. Accordingly, FLDFs showed to adopt deviant, idiosyncratic CG practices relative to the prevailing shareholder-oriented governance system in the name of preserving the non-economic utilities of firm's key actors, including authority, control and power, job security and protection, reputation and prestige and social ties, closely attached to the firm (Gomez-Mejia et al., 2011a).

As Ravasi and Schultz (2006) note, firm identity is a sensemaking tool that interprets and gives meaning to firm behaviour. It defines what a firm is and how it wishes to be, determining firm interests and priorities (Glynn, 2008; Kodeih and Greenwood, 2014). Therefore, the priority of SEW preservation primarily reflects a distinct identity of FLDFs in terms of SEW-related concerns and goals. Thus, according to Greenwood et al. (2011), FLDFs' identity imposes conditions against, and as such, resistance to the demands, standards and expectations of CG imposed by the dominant governance practices, that is, the CG latitude of FLDFs.

Stemming from the perspective of SEW preservation, the executives of FLDFs actively seek to maintain or extend the non-economic benefits linked to the firm and mitigate the risk exposure of SEW. Accordingly, concerning CG configurations, they favour and support configuring the board of directors and executive compensation in a way that facilitates or at least does not deter preserving their affective endowments. Particularly, this is related to restricting the monitoring and advising functions of the board in terms of smaller and less independent boards of FLDFs, as well as sacrificing managerial remuneration and decoupling managerial performance and pay in terms of lower total and equity-based compensation, respectively.

Likewise, for the dominant shareholders of FLDFs, the board of directors is a tool through which they fulfil their goals and preferences including both economic and non-economic benefits, supporting smaller and less independent boards for more attainable

negotiation, communication and control over management appointment and decisions. In addition, the controlling shareholders enforce their ownership and/or voting rights to advocate and protect managers, who in return support and carry out their interests and objectives, in the sense of a lax linkage between managerial performance and pay. As such, FLDFs appeared to adopt distinct CG practices compared with MLDFs, avoiding CG configurations that expose their non-economic utilities, such as authority and power, reputation and prestige, job security and protection and business networks, attached to the firm to threat.

Moreover, drawing on the perspective of SEW preservation, the affective endowments derived from the firm provide both the managers and dominant shareholders of FLDFs with a substantial incentive to voluntarily serve as self-monitored stewards of the business. Specifically, FLDF managers effectively safeguard the firm financially, and in turn, preserve or extend their SEW, given the interdependence of firm's financial standing and SEW, as well as the dual financial and SEW-related risks borne by managers because of their undiversified financial wealth. Therefore, preserving their both financial wealth and SEW, the managers of FLDFs are self-incentivised to act efficiently and not opportunistically, given the competitiveness of managerial labour market and the market for takeover threat.

Similarly, given their large shareholdings that permit the non-economic benefits of authority and control, prestige and social ties as well, the dominant shareholders of FLDFs are self-motivated to closely and effectively oversee, evaluate and discipline top management, preserving their both economic and non-economic benefits derived from the firm. Concerning their respective controlling roles, this limits the necessity of large and independent boards and restricts the need for high total compensation and equity-based compensation, justifying the difference in CG configurations between FLDFs and MLDFs.

Irrespective of family ownership status (or not), FLDFs and MLDFs showed to implement CG practices similar to those adopted by archetypal family and non-family firms, respectively. Addressing a different view of the familiness and marketness of firms, FLDFs and MLDFs, thereby, respectively match family-owned or managed and non-family firms in terms of firm practices and decisions, displaying family and non-family firm-like behaviours, respectively. Regarding the underlying concept of family logic, it endorses a family-oriented flavour and essence in terms of prioritising the SEW preservation as opposed to the core of market logic, which lies in the priority of profitability and maximisation of shareholders' wealth. Thus, drawing on the popular SEW model, in this study, I explained that FLDFs structure the boards and plan executive compensation in a way that aligns with and protects or expands the non-economic benefits of firm's key actors derived from the firm, avoiding the potential loss of SEW.

3 Do Institutional Logics Shape Corporate Governance?

Given the logic orientation of firms, in this study, I provided empirical evidence that firms vary in internally configuring the firm business in terms of firm governance regarding the firm choice of internal CG configurations. This confirms the role of ILs as being latent drivers of firm behaviour. Importantly, such evidence draws attention to and supports the introduced notion of firm logic orientation and approves the functionality of familiness and marketness constructs, differentiating among firms regarding CG practices. In this way, in this study, I established a different classification of firms and a distinct view of their familiness and marketness. Stressing the embeddedness of family and market logics, the key idea is that firms differ in the culture and nature of running a business that covertly embed in their decision making, and in turn, shape and explain the differences in firm practices and decisions; this is primarily a covert logic-based root. Therefore, this study emphasises that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their different culture and nature.

Building on the difference in CG configurations between FLDFs and MLDFs, in this study, I provided the ILs, CG and family business scholars, as well as policymakers and regulators with a new institutional-based explanation for the difference in firm governance practices that expands the understanding of ILs and CG. The study has important implications and feedback regarding the understanding and conceptualisation of the familiness and marketness of firms, applying the ILs perspective to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours. Emphasising the SEW perspective, in this study, I incorporated ILs to primarily detect family-oriented firms and – by extension – their counterparts as a different manner for the distinction among firms; in doing so, I stressed family and market logics irrespective of ownership status (family or not).

Moreover, drawing on the SEW preservation perspective, I developed a quantitative approach to identify and assess the embeddedness of family and market logics. I incorporated several behavioural dimensions that capture variations among the logic-based groups of firms, generating an institutional-based classification of firms beyond the traditional understanding of the firm types relating to the ownership criteria. Further, I applied a distinct view of the familiness and marketness of firms to the CG context, revealing an effect of firm logic orientation on firm governance practices, namely the firm choice of internal CG configurations.

Driving firm behaviour, the familiness logic orientation evidently differentiates firms from the standard, shareholder-oriented view of firms – the marketness logic orientation – which manifests in a different choice of internal CG configurations. This can extend the knowledge of scholars, policymakers and regulators on ILs and CG. Primarily, they need to consider that, apart from family ownership status (or not), FLDFs prioritise the preservation of

SEW, which demonstrates a distinct, powerful firm identity, and as such, interferes in the adoption of prevailing shareholder-oriented governance practices, namely CG deviance.

Stemming from the SEW preservation perspective, FLDFs configure firm governance in a way that best fits them, highlighting FLDFs as a distinct business form or approach relative to shareholder-oriented MLDFs (Greenwood et al., 2010). Specifically, this study implies that the familiness logic orientation of firms displays a family-oriented attitude and preference that prompt the tendency of FLDFs to depart from the archetypal shareholder-oriented business setting of MLDFs where a marketness logic orientation, underpinning the difference in CG. This impacts the understanding and evaluation of firm strategies and practices, where the discrepancy among firms may be explained against market and government regulations and policies. Fundamentally, this study can expand the understanding of CG scholars, policymakers and regulators regarding firm governance, giving them an insight that a single governance system does not fit all firms. However, the firm logic orientation of firms implicitly plays an important role in configuring the CG of firms, shedding light on the influence of the logic orientation of firms on the firm choice of internal CG configurations given the difference in board size, board independence and executive compensation measures among the logic-based groups of firms. Providing a different, institutional-based explanation for the discrepancy in CG among firms, this can help CG scholars, policymakers and regulators understand the role of ILs in triggering the differences in firm behaviour related to firm governance and develop CG research, policies and regulations. This indicates the importance to consider the latent institutional factor of firm logic orientation to achieve a better understanding of firms and by extension firm practices and behaviour.

Emphasising the logic orientation of firms as a latent explanatory – institutional – factor of CG configurations, this study also sheds light on an area of investigation on whether the effect of established CG determinants on CG configurations is a function of the firm type in terms of the logic-based group. In other words, given the association between firm logic orientation and CG configurations, it remains a viable question whether the logic orientation of firms plays a moderating role concerning the relationship between CG determinants and configurations. Importantly, in this study, I addressed the advantage of the institutional-based classification of firms over the conventional ownership-based classification as a simpler, faster and smarter approach. The traditional widely used classification of family and non-family firms requires time and effort spent browsing the proxy statements and annual reports of firms to determine the ownership status (family or not) of firms. In contrast, the proposed institutional-based classification of firms is basically an accounting-based process that stresses real firm practices and decisions. Specifically, it incorporates several behavioural dimensions measured

using financial data easily accessible via different databases, drawing mainly on the extant family business research.

Tables & Figures

Figure 3.1 - Conceptual framework.

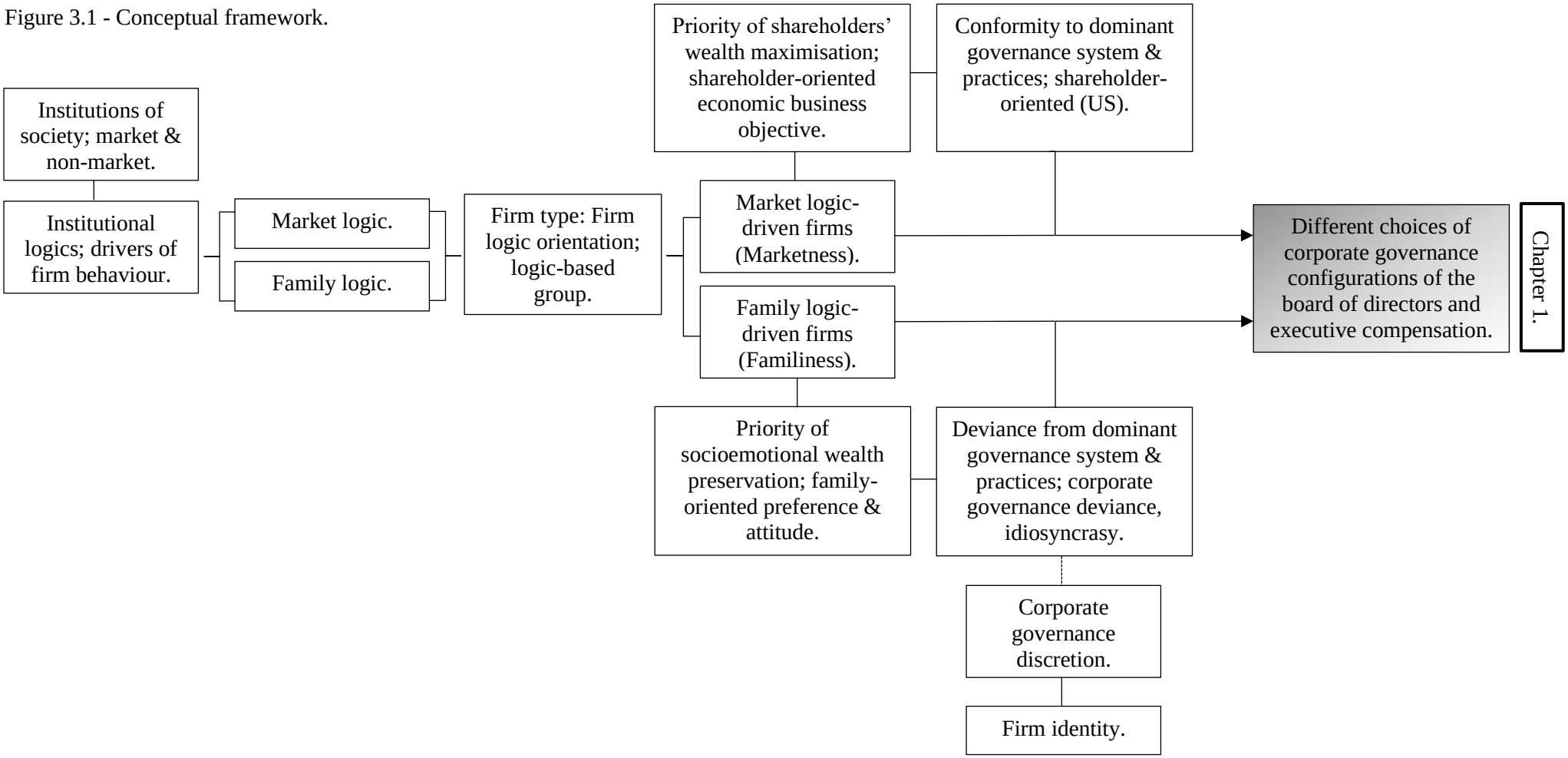


Table 3.1 - Sample distribution by year.

This table reports the time series and size of samples used in analysis. start with all S&P 1500 index constituents from 2006 through 2016. restrict the samples to firms with complete financial, board, executive compensation, ownership and monthly stock data on Compustat, ISS, Execucomp, TR-13f and CRSP. include firms with a minimum of two-year observations and exclude regulated firms with the first two-digit SIC codes being 49 and 60-69.

Panel A- Board of directors' sample distribution by year		
Year	N	Percent
2006	244	3.88
2007	466	7.41
2008	610	9.70
2009	655	10.42
2010	670	10.66
2011	676	10.75
2012	655	10.42
2013	638	10.15
2014	609	9.67
2015	559	8.89
2016	504	8.02
Total firm-year observations	6286	100
Total unique firms	987	
Panel B- Executive compensation sample distribution by year		
Year	N	Percent
2006	246	3.94
2007	469	7.52
2008	613	9.83
2009	658	10.55
2010	665	10.66
2011	664	10.65
2012	645	10.34
2013	629	10.09
2014	599	9.61
2015	548	8.79
2016	500	8.02
Total firm-year observations	6236	
Total unique firms	971	

Table 3.2 - Logic orientation index development.

This table demonstrates designing the measurement of non-familiness, or marketness, extent and the development of the logic orientation index in terms of the logic-based groups of FLDFs, hybrid firms and MLDFs, considering all the possible combinations of behavioural dimensions. ***CD*** is the entropy measure of total diversification measuring the level of corporate diversification; ***EM*** is the absolute value of discretionary accruals measuring the magnitude of earnings management; ***TA*** is an inverse measure of the effective tax rate, as the total tax expense scaled by pre-tax income, times minus one measuring the level of tax aggressiveness; ***RD*** is the R&D ratio of R&D expenditure to firm's total sales measuring the level of R&D investment.

Level of behavioural dimension				Non-familiness/ Marketness extent *($LogicExtent_{it}$)*	Logic orientation index *($LogicOrientation_{it}$)*		Firm type: the logic-based group of firms
Corporate diversification (CD_{it})	Earnings management (EM_{it})	Tax aggressiveness (TA_{it})	R&D investment (RD_{it})				
Low (0)	*Low (0)*	*Low (0)*	*Low (0)*	0	**Familiness**	**(1)**	**Family logic-driven firms (FLDFs)**
Low (0)	*Low (0)*	*Low (0)*	*High (1)*	1			
Low (0)	*Low (0)*	*High (1)*	*Low (0)*	1			
Low (0)	*High (1)*	*Low (0)*	*Low (0)*	1			
High (1)	*Low (0)*	*Low (0)*	*Low (0)*	1			
Low (0)	*Low (0)*	*High (1)*	*High (1)*	2	**Hybrid**	**(2)**	**Hybrid firms**
Low (0)	*High (1)*	*Low (0)*	*High (1)*	2			
High (1)	*Low (0)*	*Low (0)*	*High (1)*	2			
Low (0)	*High (1)*	*High (1)*	*Low (0)*	2			
High (1)	*Low (0)*	*High (1)*	*Low (0)*	2			
High (1)	*High (1)*	*Low (0)*	*Low (0)*	2			
High (1)	*High (1)*	*High (1)*	*Low (0)*	3	**Marketness**	**(3)**	**Market logic-driven firms (MLDFs)**
High (1)	*High (1)*	*Low (0)*	*High (1)*	3			
High (1)	*Low (0)*	*High (1)*	*High (1)*	3			
Low (0)	*High (1)*	*High (1)*	*High (1)*	3			
High (1)	*High (1)*	*High (1)*	*High (1)*	4			

Table 3.3 - Descriptive statistics: Board of directors analysis.

This table reports the full sample summary statistics on all variables used in board of directors' analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Full sample			
Variable	Mean	Median	Std. Deviation
Panel A- Logic-based groups			
FamilyFirm	0.44	0	0.50
HybridFirm	0.35	0	0.48
MarketFirm	0.21	0	0.40
Panel B- Firm-specific characteristics			
FirmSize (Unlogged, $000'000)	6140.17	1785.42	13277.33
Debt	0.17	0.15	0.15
Growth (Unlogged)	3.38	2.50	3.10
Risk	0.10	0.09	0.05
FreeCashFlow	0.12	0.09	0.11
MarketPerformance	2.04	1.72	1.10
Panel C- CEO-specific characteristics			
ExecutiveAge	56.29	56	6.90
ExecutiveTenure	12.37	11	7.98
Panel D- Ownership structure			
ExecutiveOwnership	0.02	0.01	0.05
Panel E- Board structure			
BoardSize	8.89	9	1.97
BoardIndependence	0.79	0.80	0.11
Observations		6286	

Table 3.4 - Descriptive statistics: Executive compensation analysis.

This table reports the full sample summary statistics on all variables used in executive compensation analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***Salary*** is the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp; ***Bonus*** is a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives; ***EquityComp*** is a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards; ***CashComp*** is the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus; ***TotalComp*** is the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation; ***FirmSize*** is the natural logarithm of firm's sales; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise.

Full Sample			
Variable	Mean	Median	Std. Deviation
Panel A- Logic-based groups			
FamilyFirm	0.44	0	0.50
HybridFirm	0.35	0	0.48
MarketFirm	0.21	0	0.41
Panel B- Executive compensation (Unlogged, $000)			
Salary	582.70	541.80	222.90
Bonus	814.48	520.15	992.12
EquityComp	2159.13	1383.56	2352.17
CashComp	677.29	591.67	377.53
TotalComp	3771.39	2756.76	3341.18
Panel C- Firm-specific characteristics			
FirmSize (Unlogged, $000'000)	6310.66	1797.45	13742.08
Growth (Unlogged)	3.36	2.50	3.05
MarketPerformance	2.04	1.72	1.09
StockPerformance	0.01	0.01	0.03
Debt	0.17	0.15	0.15
FirmAge (Unlogged)	31.65	25.00	18.68
Risk	0.10	0.09	0.05
Panel D- Executive-specific characteristics			
ExecutiveAge	56.30	56	6.86
ExecutiveTenure	12.35	11	7.97
Panel E- Ownership structure			
ExecutiveOwnership	0.02	0.01	0.05
InstitutionalOwnership	0.84	0.87	0.13
Panel F- Board structure			
BoardSize	8.91	9	1.97
BoardIndependence	0.79	0.80	0.11
Duality	0.47	0	0.50
Observations		6236	

Table 3.5 - Descriptive statistics: Board structure by logic-based group.
BoardSize is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Subsamples by logic-based group						
Variable	*Group of FLDFs (FamilyFirm =1)*		*Group of hybrid firms (HybridFirm =1)*		*Group of MLDFs (MarketFirm =1)*	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
BoardSize	8.76	1.89	8.91	1.99	9.14	2.08
BoardIndependence	0.78	0.11	0.79	0.11	0.80	0.10
Observations	2768		2227		1291	

Table 3.6 - Difference-in-mean t-test: Board structure.
BoardSize is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.
t statistics in parentheses.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	Mean-difference		
	FamilyFirm & HybridFirm	*FamilyFirm & MarketFirm*	*HybridFirm & MarketFirm*
BoardSize	0.150**	0.373***	0.223**
	(2.73)	(5.66)	(3.14)
BoardIndependence	0.0121***	0.0268***	0.0147***
	(3.96)	(7.50)	(3.93)
Observations	4995	4059	3518

Table 3.7 - Descriptive statistics: Executive compensation plan by logic-based group.
Salary is the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp; ***Bonus*** is a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives; ***EquityComp*** is a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards; ***CashComp*** is the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus; ***TotalComp*** is the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation.

Subsamples by logic-based group						
Variable (Unlogged, $000)	*Group of FLDFs (FamilyFirm =1)*		*Group of hybrid firms (HybridFirm =1)*		*Group of MLDFs (MarketFirm =1)*	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Salary	574.08	215.08	582.00	221.22	602.18	240.34
Bonus	772.32	946.34	816.13	968.95	901.06	1113.91
EquityComp	1865.51	2120.41	2198.04	2330.56	2715.21	2723.80
CashComp	667.24	364.31	675.11	370.87	702.33	413.81
TotalComp	3392.66	3004.75	3820.03	3336.20	4491.33	3865.29
Observations	2736		2210		1290	

Table 3.8 - Difference-in-mean: Executive compensation plan.
Salary is the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp; ***Bonus*** is a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives; ***EquityComp*** is a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards; ***CashComp*** is the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus; ***TotalComp*** is the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation.
t statistics in parentheses.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	Mean-difference		
	FamilyFirm & HybridFirm	*FamilyFirm & MarketFirm*	*HybridFirm & MarketFirm*
Salary	7.918	28.10***	20.18*
	(1.27)	(3.72)	(2.52)
Bonus	43.81	128.7***	84.93*
	(1.60)	(3.80)	(2.37)
EquityComp	332.5***	849.7***	517.2***
	(5.24)	(10.79)	(5.95)
CashComp	7.867	35.10**	27.23*
	(0.75)	(2.73)	(2.01)
TotalComp	427.4***	1098.7***	671.3***
	(4.73)	(9.84)	(5.41)
Observations	4946	4026	3500

Table 3.9 - Correlation matrix: Board of directors analysis.

This table reports the correlation between all variables used in board of directors' analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. * p<0.10, ** p<0.05, *** p<0.01

Variable	*FamilyFirm*	*HybridFirm*	*MarketFirm*	*FirmSize (Unlogged)*	*Debt*	*Growth (Unlogged)*	*Risk*	*FreeCashFlow*	*Market-Performance*	*Executive-Age*	*Executive-Tenure*	*Executive-Ownership*	*BoardSize*	*Board-Independence*
FamilyFirm	1.00	.	.	.	.	.	.	.	.	.	.	.	.	.
HybridFirm	-0.66***	1.00	.	.	.	.	.	.	.	.	.	.	.	.
MarketFirm	-0.45***	-0.38***	1.00	.	.	.	.	.	.	.	.	.	.	.
FirmSize (Unlogged)	-0.06***	-0.02	0.10***	1.00	.	.	.	.	.	.	.	.	.	.
Debt	0.03***	-0.01	-0.03**	0.08***	1.00	.	.	.	.	.	.	.	.	.
Growth (Unlogged)	-0.02*	0.02	0.01	0.07***	0.13***	1.00	.	.	.	.	.	.	.	.
Risk	-0.01	-0.01	0.03**	-0.21***	0.02	-0.19***	1.00	.	.	.	.	.	.	.
FreeCashFlow	-0.11***	0.03**	0.10***	-0.14***	-0.37***	0.16***	0.06***	1.00	.	.	.	.	.	.
MarketPerformance	-0.01	0.03**	-0.02	-0.07***	-0.25***	0.70***	-0.22***	0.33***	1.00	.	.	.	.	.
ExecutiveAge	0.00	-0.01	0.00	0.06***	0.02	-0.07***	-0.05***	-0.07***	-0.08***	1.00	.	.	.	.
ExecutiveTenure	0.03**	-0.02*	-0.01	-0.09***	-0.13***	-0.06***	0.04***	0.04***	0.03**	0.33***	1.00	.	.	.
ExecutiveOwnership	0.03***	-0.00	-0.04***	-0.12***	-0.19***	-0.05***	0.05***	0.08***	0.04***	0.21***	0.49***	1.00	.	.
BoardSize	-0.06***	0.01	0.06***	0.39***	0.25***	0.05***	-0.19***	-0.20***	-0.09***	0.07***	-0.17***	-0.23***	1.00	.
BoardIndependence	-0.08***	0.02	0.08***	0.15***	0.16***	0.05***	-0.09***	-0.02*	-0.06***	-0.04***	-0.17***	-0.23***	0.19***	1.00
Observations	6286													

Table 3.10 - Correlation matrix: Executive compensation analysis.

This table reports the correlation between all variables used in executive compensation analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***Salary*** is the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp; ***Bonus*** is a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives; ***EquityComp*** is a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards; ***CashComp*** is the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus; ***TotalComp*** is the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation; ***FirmSize*** is the natural logarithm of firm's sales; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise. * p<0.10, ** p<0.05, *** p<0.01

Variable	*FamilyFirm*	*HybridFirm*	*MarketFirm*	*Salary*	*Bonus*	*EquityComp*	*CashComp*	*TotalComp*	*FirmSize (Unlogged)*	*Growth (Unlogged)*	*Market-Performance*	*Stock-Performance*	*Debt*
FamilyFirm	1.00	.	.	.	.	.	.	.	.	.	.	.	.
HybridFirm	-0.66***	1.00	.	.	.	.	.	.	.	.	.	.	.
MarketFirm	-0.45***	-0.38***	1.00	.	.	.	.	.	.	.	.	.	.
Salary	-0.03***	-0.00	0.04***	1.00	.	.	.	.	.	.	.	.	.
Bonus	-0.04***	0.00	0.04***	0.63***	1.00	.	.	.	.	.	.	.	.
EquityComp	-0.11***	0.01	0.12***	0.59***	0.50***	1.00	.	.	.	.	.	.	.
CashComp	-0.02*	-0.00	0.03***	0.72***	0.60***	0.51***	1.00	.	.	.	.	.	.
TotalComp	-0.10***	0.01	0.11***	0.70***	0.73***	0.94***	0.62***	1.00	.	.	.	.	.
FirmSize (Unlogged)	-0.06***	-0.02	0.10***	0.55***	0.49***	0.49***	0.47***	0.57***	1.00	.	.	.	.
Growth (Unlogged)	-0.02*	0.02	0.01	0.09***	0.11***	0.17***	0.04***	0.16***	0.07***	1.00	.	.	.
MarketPerformance	-0.01	0.03**	-0.02	-0.08***	0.01	0.12***	-0.06***	0.07***	-0.07***	0.71***	1.00	.	.
StockPerformance	0.02	-0.00	-0.01	-0.01	0.05***	-0.02*	-0.01	-0.00	-0.02*	0.13***	0.17***	1.00	.
Debt	0.03***	-0.01	-0.03**	0.26***	0.13***	0.15***	0.17***	0.18***	0.08***	0.12***	-0.25***	-0.04***	1.00
FirmAge (Unlogged)	-0.12***	0.04***	0.09***	0.37***	0.28***	0.19***	0.28***	0.27***	0.38***	-0.00	-0.12***	-0.01	0.07***
Risk	-0.02	-0.01	0.03**	-0.25***	-0.20***	-0.21***	-0.15***	-0.23***	-0.21***	-0.19***	-0.22***	0.02	0.02
ExecutiveAge	-0.00	-0.00	0.01	0.18***	0.10***	0.01	0.14***	0.06***	0.06***	-0.07***	-0.07***	0.00	0.01
ExecutiveTenure	0.03**	-0.02*	-0.01	-0.09***	-0.04***	-0.09***	-0.02	-0.09***	-0.09***	-0.06***	0.02*	0.01	-0.12***

ExecutiveOwnership	0.03**	-0.00	-0.04***	-0.17***	-0.11***	-0.15***	-0.08***	-0.15***	-0.12***	-0.05***	0.04***	-0.01	-0.19***
InstitutionalOwnership	0.05***	-0.01	-0.04***	-0.06***	-0.07***	-0.00	-0.10***	-0.03***	-0.19***	0.03***	0.04***	0.03**	0.09***
BoardSize	-0.06***	0.01	0.06***	0.52***	0.37***	0.36***	0.38***	0.43***	0.39***	0.05***	-0.09***	-0.01	0.25***
BoardIndependence	-0.09***	0.02*	0.08***	0.15***	0.10***	0.16***	0.04***	0.16***	0.15***	0.05***	-0.06***	0.01	0.15***
Duality	-0.00	0.01	-0.01	0.16***	0.10***	0.09***	0.11***	0.10***	0.11***	-0.01	-0.02*	-0.01	-0.01

	FirmAge (Unlogged)	*Risk*	*Executive-Age*	*Executive-Tenure*	*Executive-Ownership*	*Institutional-Ownership*	*BoardSize*	*Board-Independence*	*Duality*
FirmAge (Unlogged)	1.00	.	.	.	.	.	.	.	.
Risk	-0.17***	1.00	.	.	.	.	.	.	.
ExecutiveAge	0.11***	-0.05***	1.00	.	.	.	.	.	.
ExecutiveTenure	-0.08***	0.05***	0.32***	1.00	.	.	.	.	.
ExecutiveOwnership	-0.13***	0.05***	0.20***	0.48***	1.00	.	.	.	.
InstitutionalOwnership	-0.24***	-0.01	-0.09***	-0.13***	-0.26***	1.00	.	.	.
BoardSize	0.38***	-0.19***	0.07***	-0.17***	-0.23***	-0.12***	1.00	.	.
BoardIndependence	0.20***	-0.10***	-0.04***	-0.17***	-0.24***	0.19***	0.20***	1.00	.
Duality	0.11***	-0.05***	0.25***	0.34***	0.23***	-0.06***	0.03**	0.16***	1.00
Observations	6236								

Table 3.11 - Multivariate analysis: Board size.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) including instrumental variables in OLS multivariate analysis, (3) random-effects estimation and (4) dynamic estimation. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***BoardIndependence*** is the lagged value of the percentage of outside directors on board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
	(1)	(2)	(3)	(4)
FamilyFirm	-0.188*	-0.176*	-0.0351+	-0.0300+
	(0.0790)	(0.0791)	(0.0223)	(0.0160)
MarketFirm	0.272**	0.252*	-0.0270*	0.0211+
	(0.100)	(0.101)	(0.0110)	(0.0126)
FirmSize	0.759***	0.768***	0.671***	0.484***
	(0.0380)	(0.0342)	(0.0260)	(0.0102)
Debt	1.725***	1.573***	0.553**	0.230**
	(0.369)	(0.362)	(0.202)	(0.0890)
Growth	0.371***	0.343***	0.0534*	0.0588*
	(0.0891)	(0.0901)	(0.0228)	(0.0259)
Risk	-8.270***	-7.945***	-1.313**	-1.388***
	(1.0131)	(1.00821)	(0.409)	(0.305)
FreeCashFlow	-1.391**	-1.457***	-0.488*	-0.235*
	(0.439)	(0.440)	(0.234)	(0.115)
MarketPerformance	-0.242***	-0.219***	-0.0755**	-0.0318*
	(0.0500)	(0.0504)	(0.0242)	(0.0156)
ExecutiveOwnership	-7.706***	-7.0422***	-3.100*	-1.270***
	(1.433)	(1.434)	(1.251)	(0.217)
BoardIndependence		1.732**		
		(0.542)		
(lag) BoardSize				0.865***
				(0.00713)
Constant	10.591***	9.235***	10.250***	1.530***
	(0.421)	(0.611)	(0.343)	(0.115)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	-	-	Yes	-
Adjusted R^2	0.198	0.206	-	0.812

Table 3.12 - Robustness test (Family status of ownership): Board size.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*
FamilyFirm	-0.425*
	(0.169)
FirmSize	0.662***
	(0.0385)
Debt	1.256**
	(0.477)
Growth	0.475***
	(0.111)
Risk	-7.0135***
	(1.128)
FreeCashFlow	-1.112+
	(0.655)
MarketPerformance	-0.304***
	(0.0759)
ExecutiveOwnership	-10.643***
	(2.130)
Constant	10.821***
	(0.485)
Observations	3611
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.176

Table 3.13 - Multivariate analysis: Board independence.

The results of (1) preliminary OLS multivariate, and robustness tests (2) including instrumental variables in OLS multivariate analysis, (3) random-effects estimation and (4) dynamic estimation. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***BoardSize*** is the lagged value of the total numbers of directors on board.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
	(1)	(2)	(3)	(4)
FamilyFirm	-0.00710+	-0.00679+	-0.00328+	-0.00261+
	(0.00401)	(0.00403)	(0.00209)	(0.00156)
MarketFirm	0.0102*	0.00949+	0.00648*	0.00336+
	(0.00503)	(0.00501)	(0.00252)	(0.00208)
FirmSize	0.0116***	0.00903**	0.0102***	0.00176**
	(0.00211)	(0.00310)	(0.00226)	(0.000626)
Debt	0.0741***	0.0822***	0.0279*	0.0133*
	(0.0193)	(0.0201)	(0.0136)	(0.00610)
Growth	0.0424***	0.0411***	0.0132**	0.0115**
	(0.00403)	(0.00502)	(0.00381)	(0.00369)
Risk	-0.0952+	-0.129*	-0.0506*	-0.0597**
	(0.0501)	(0.0530)	(0.0253)	(0.0211)
FreeCashFlow	0.0466*	0.0563*	0.0361*	0.0159*
	(0.0242)	(0.0254)	(0.0158)	(0.00784)
MarketPerformance	-0.0121***	-0.0113***	-0.00971***	-0.0108***
	(0.00310)	(0.00311)	(0.00212)	(0.00113)
ExecutiveOwnership	-0.278***	-0.270***	-0.0923+	-0.0651**
	(0.0744)	(0.0780)	(0.0561)	(0.0217)
ExecutiveAge	-0.000328	-0.000344	-0.000383	-1.70e-06
	(0.000)	(0.000)	(0.000299)	(0.000130)
ExecutiveTenure	-0.000636	-0.000552	-4.53e-05	-9.81e-05
	(0.000)	(0.000)	(0.000372)	(0.000117)
BoardSize		0.00323		
		(0.00201)		
(lag) BoardIndependence				0.819***
				(0.0112)
Constant	0.654***	0.692***	0.605***	0.135***
	(0.0342)	(0.0380)	(0.0291)	(0.0127)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	-	-	Yes	-
Adjusted R^2	0.147	0.148	-	0.745

Table 3.14 - Robustness test (Family status of ownership): Board independence.
The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions; ***BoardSize*** is the lagged value of the total numbers of directors on board.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*
FamilyFirm	-0.0698***
	(0.0102)
FirmSize	0.0124***
	(0.00301)
Debt	0.0569*
	(0.0237)
Growth	0.0163**
	(0.00590)
Risk	-0.0400
	(0.0597)
FreeCashFlow	0.00573
	(0.0308)
MarketPerformance	-0.0105**
	(0.00303)
ExecutiveOwnership	-0.0347
	(0.108)
ExecutiveAge	-0.00111+
	(0.000601)
ExecutiveTenure	-0.000106
	(0.000611)
Constant	0.673***
	(0.0430)
Observations	3611
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.221

Table 3.15 - Multivariate analysis: Total compensation.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*		
	(1)	(2)	(3)
FamilyFirm	-0.0555**	-0.0324*	-0.0230+
	(0.0190)	(0.0128)	(0.0120)
MarketFirm	0.0706**	0.0209+	0.0350*
	(0.0240)	(0.0137)	(0.0140)
FirmSize	0.384***	0.339***	0.136***
	(0.0121)	(0.0125)	(0.00903)
FirmAge	0.0480*	0.0399+	0.0233*
	(0.0231)	(0.0238)	(0.0103)
Debt	0.197*	0.151*	0.109*
	(0.0982)	(0.0754)	(0.0466)
Growth	0.0727*	0.0595*	0.0807*
	(0.0320)	(0.0244)	(0.0362)
Risk	-0.279	-0.448**	-0.467**
	(0.249)	(0.167)	(0.150)
MarketPerformance	0.0836***	0.0510**	0.0345**
	(0.0241)	(0.0171)	(0.0114)
StockPerformance	1.974***	1.546***	1.674***
	(0.276)	(0.235)	(0.247)
Duality	0.0909***	0.0783***	0.0462***
	(0.0264)	(0.0181)	(0.0123)
BoardSize	0.0262**	0.00965	0.0116**
	(0.00811)	(0.00611)	(0.00372)
BoardIndependence	0.349*	0.416***	0.185**
	(0.143)	(0.0933)	(0.0659)
ExecutiveAge	0.00357+	0.00677***	0.00194*
	(0.00214)	(0.00142)	(0.000928)
ExecutiveTenure	0.00324	0.000427	0.000229
	(0.00202)	(0.00169)	(0.000981)
ExecutiveOwnership	-0.611	-1.080***	-0.289+
	(0.380)	(0.290)	(0.168)
InstitutionalOwnership	0.678***	0.238**	0.280***
	(0.103)	(0.0875)	(0.0496)
(lag) TotalComp			0.614***
			(0.0188)
Constant	3.604***	4.262***	1.408***
	(0.216)	(0.183)	(0.122)
Observations	5265	5265	5265
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-

Adjusted R^2	0.657	-	0.786

Table 3.16 - Multivariate analysis: Cash compensation.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***CashComp*** representing the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CashComp*		
	(1)	(2)	(3)
FamilyFirm	-0.00208	0.00320	-0.000960
	(0.0122)	(0.00734)	(0.00622)
MarketFirm	-0.00166	0.00884	0.00257
	(0.0151)	(0.00923)	(0.00830)
FirmSize	0.182***	0.172***	0.0506***
	(0.0100)	(0.00817)	(0.00490)
FirmAge	0.0184	0.0155	0.00286
	(0.0180)	(0.0178)	(0.00605)
Debt	0.123+	0.137**	0.0540*
	(0.0661)	(0.0495)	(0.0247)
Growth	0.0158	0.000715	0.00433
	(0.0234)	(0.0177)	(0.00969)
Risk	-0.0880	-0.0142	-0.0142
	(0.163)	(0.101)	(0.0814)
MarketPerformance	0.0159	0.00347	0.00816
	(0.0160)	(0.00982)	(0.00611)
StockPerformance	0.397*	0.409**	0.217
	(0.172)	(0.130)	(0.143)
Duality	0.0497**	0.0358***	0.0165*
	(0.0181)	(0.0108)	(0.00669)
BoardSize	0.0182**	0.0102*	0.00460*
	(0.00612)	(0.00418)	(0.00210)
BoardIndependence	-0.264**	-0.0919+	-0.0536+
	(0.0920)	(0.0539)	(0.0314)
ExecutiveAge	0.00514***	0.00469***	0.00152**
	(0.00110)	(0.000977)	(0.000522)
ExecutiveTenure	0.000149	0.000491	0.000127
	(0.00211)	(0.00114)	(0.000568)
ExecutiveOwnership	0.0463	0.0243	0.0514
	(0.300)	(0.224)	(0.108)
InstitutionalOwnership	0.0974	-0.0387	0.0308
	(0.0791)	(0.0525)	(0.0257)
(lag) CashComp			0.716***
			(0.0193)
Constant	4.688***	4.863***	1.351***
	(0.146)	(0.119)	(0.0989)
Observations	5265	5265	5265
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-
Adjusted R^2	0.519	-	0.776

Table 3.17 - Multivariate analysis: Equity-based compensation.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*		
	(1)	(2)	(3)
FamilyFirm	-0.140*	-0.0827+	-0.0646*
	(0.0662)	(0.0439)	(0.0312)
MarketFirm	0.0937*	0.0774+	0.0532+
	(0.0761)	(0.0439)	(0.0297)
FirmSize	0.550***	0.520***	0.229***
	(0.0390)	(0.0363)	(0.0270)
FirmAge	0.165*	0.128+	0.0826*
	(0.0782)	(0.0747)	(0.0389)
Debt	0.233*	0.159*	0.169+
	(0.0957)	(0.0718)	(0.0886)
Growth	0.0525*	0.0683+	0.0335*
	(0.0221)	(0.0451)	(0.0155)
Risk	-0.613	-0.803	-1.025+
	(0.746)	(0.709)	(0.574)
MarketPerformance	0.147+	0.122*	0.0828*
	(0.0810)	(0.0538)	(0.0420)
StockPerformance	1.766+	0.879	2.452**
	(1.00712)	(0.836)	(0.884)
Duality	0.154+	0.165**	0.0733
	(0.0880)	(0.0640)	(0.0469)
BoardSize	0.0447	0.0116	0.0294*
	(0.0281)	(0.0230)	(0.0149)
BoardIndependence	2.419***	1.835***	1.149***
	(0.453)	(0.351)	(0.242)
ExecutiveAge	-0.00419	-0.00256	-9.49e-05
	(0.00621)	(0.00541)	(0.00335)
ExecutiveTenure	-0.0152+	-0.00750	-0.00594
	(0.00801)	(0.00730)	(0.00414)
ExecutiveOwnership	-2.348+	-5.113**	-1.013
	(1.252)	(1.576)	(0.676)
InstitutionalOwnership	1.830***	1.223***	0.932***
	(0.390)	(0.329)	(0.218)
(lag) EquityComp			0.537***
			(0.0331)
Constant	0.831***	0.209***	-0.386***
	(0.764)	(0.712)	(0.426)
Observations	5265	5265	5265
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-

Adjusted R^2	0.342	-	0.552

Table 3.18 - Multivariate analysis: Bonus.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***Bonus*** representing a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*Bonus*		
	(1)	(2)	(3)
FamilyFirm	0.0572	0.0701	0.0292
	(0.0580)	(0.0546)	(0.0497)
MarketFirm	0.157	0.104	0.102
	(0.0982)	(0.0874)	(0.0803)
FirmSize	0.453***	0.422***	0.300***
	(0.0324)	(0.0319)	(0.0284)
FirmAge	0.0138	0.00487	0.00631
	(0.0660)	(0.0657)	(0.0499)
Debt	0.00298	0.198	0.0635
	(0.253)	(0.265)	(0.203)
Growth	0.118	0.0779	0.0325
	(0.0862)	(0.0833)	(0.0699)
Risk	-1.976*	-1.447+	-1.530*
	(0.803)	(0.766)	(0.724)
MarketPerformance	0.000463	-0.0158	-0.00843
	(0.0510)	(0.0479)	(0.0415)
StockPerformance	12.62***	11.97***	9.610***
	(1.0801)	(1.091)	(1.166)
Duality	0.116+	0.103+	0.0921+
	(0.0622)	(0.0608)	(0.0498)
BoardSize	0.0572*	0.0495*	0.0468**
	(0.0231)	(0.0206)	(0.0176)
BoardIndependence	0.375	0.551+	0.324
	(0.358)	(0.318)	(0.270)
ExecutiveAge	-0.0105*	-0.00924+	-0.00698+
	(0.00520)	(0.00529)	(0.00404)
ExecutiveTenure	-0.00540	-0.00397	-0.00422
	(0.00601)	(0.00532)	(0.00437)
ExecutiveOwnership	-1.475	-0.957	-1.060
	(1.281)	(1.009)	(0.918)
InstitutionalOwnership	0.421	-0.118	0.207
	(0.312)	(0.298)	(0.232)
(lag) Bonus			0.306***
			(0.0263)
Constant	0.718***	1.369***	0.653***
	(0.622)	(0.589)	(0.472)
Observations	5265	5265	5265
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-
Adjusted R^2	0.258	-	0.319

Table 3.19 - Multivariate analysis: Salary.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***Salary*** representing the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*Salary*		
	(1)	(2)	(3)
FamilyFirm	0.00896	0.00597	0.00203
	(0.00901)	(0.00555)	(0.00419)
MarketFirm	0.00439	-0.00279	0.00246
	(0.0115)	(0.00595)	(0.00477)
FirmSize	0.166***	0.160***	0.0351***
	(0.00701)	(0.00624)	(0.00325)
FirmAge	0.0235+	0.0373**	0.00445
	(0.0124)	(0.0115)	(0.00345)
Debt	0.102*	0.106**	0.0381*
	(0.0512)	(0.0333)	(0.0151)
Growth	0.0267	0.00200	0.00680
	(0.0163)	(0.0100)	(0.00553)
Risk	-0.175	-0.151*	-0.00199
	(0.117)	(0.0675)	(0.0476)
MarketPerformance	-0.0144	0.00121	-0.000121
	(0.0145)	(0.00606)	(0.00403)
StockPerformance	0.344**	0.399***	0.363***
	(0.115)	(0.0790)	(0.0789)
Duality	0.0626***	0.0355***	0.0189***
	(0.0121)	(0.00785)	(0.00425)
BoardSize	0.0159***	0.00663*	0.00330**
	(0.00425)	(0.00275)	(0.00119)
BoardIndependence	-0.115+	0.0161	-0.00530
	(0.0673)	(0.0391)	(0.0193)
ExecutiveAge	0.00334**	0.00198**	9.54e-05
	(0.00110)	(0.000713)	(0.000325)
ExecutiveTenure	0.0000594	9.47e-05	1.46e-05
	(0.00120)	(0.000862)	(0.000324)
ExecutiveOwnership	-0.354+	-0.390*	-0.0750
	(0.212)	(0.195)	(0.0576)
InstitutionalOwnership	0.159**	0.0137	0.0389*
	(0.0535)	(0.0350)	(0.0156)
(lag) Salary			0.777***
			(0.0156)
Constant	4.685***	4.886***	1.129***
	(0.103)	(0.0800)	(0.0802)
Observations	5265	5265	5265
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE		Yes	-
Adjusted R^2	0.671	-	0.875

Table 3.20 - Robustness test (Family status of ownership): Executive compensation.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variables are ***Salary*** representing the fixed component of compensation as the natural logarithm of one plus (salary) variable in Execucomp; ***Bonus*** representing a variable pay as the natural logarithm of one plus the sum of cash bonus and non-equity incentives; ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards; ***CashComp*** representing the cash compensation as the natural logarithm of one plus the sum of salary and cash bonus; ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*	*CashComp*	*EquityComp*	*Bonus*	*Salary*
FamilyFirm	-0.133**	-0.0733	-0.267***	0.0886	0.0242
	(0.0485)	(0.0603)	(0.0711)	(0.114)	(0.0324)
FirmSize	0.375***	0.181	0.528***	0.140	0.0363
	(0.0173)	(0.130)	(0.0511)	(0.0912)	(0.0237)
FirmAge	0.0736*	0.00170	0.132*	0.0453	0.0416*
	(0.0347)	(0.0279)	(0.0613)	(0.0906)	(0.0182)
Debt	0.0891	0.0471	0.244+	0.217	0.0823
	(0.130)	(0.0852)	(0.157)	(0.325)	(0.0619)
Growth	0.0728+	0.00777	0.0422	0.123	0.0329+
	(0.0413)	(0.0290)	(0.159)	(0.107)	(0.0195)
Risk	-0.127	-0.102	-0.507	-2.0286*	-0.0736
	(0.320)	(0.206)	(0.798)	(0.972)	(0.135)
MarketPerformance	0.0928*	0.00179	0.118	0.0393	-0.0125
	(0.0378)	(0.0234)	(0.139)	(0.0714)	(0.0186)
StockPerformance	2.0001***	0.527*	1.364	13.824***	0.526***
	(0.325)	(0.209)	(1.102)	(1.433)	(0.139)
Duality	0.101***	0.0636**	0.173	0.122	0.0881***
	(0.0297)	(0.0215)	(0.105)	(0.0770)	(0.0140)
BoardSize	0.0370***	0.0218**	0.0525+	0.0481+	0.0181***
	(0.00981)	(0.00752)	(0.0285)	(0.0269)	(0.00490)
BoardIndependence	0.418*	-0.0944	2.0216***	0.321	-0.0750
	(0.181)	(0.128)	(0.513)	(0.456)	(0.0904)
ExecutiveAge	0.00449+	0.00464*	-0.00579	-0.0139*	0.00314*
	(0.00251)	(0.00185)	(0.00740)	(0.00684)	(0.00132)
ExecutiveTenure	0.00209	0.000143	-0.00954	-0.00139	0.000689
	(0.00291)	(0.00202)	(0.0108)	(0.00752)	(0.00146)
ExecutiveOwnership	-1.129*	-0.388	-2.775	-4.891*	-0.567*
	(0.550)	(0.369)	(1.952)	(1.926)	(0.275)
InstitutionalOwnership	0.607***	0.0637	1.315*	0.0439	0.175*
	(0.132)	(0.109)	(0.522)	(0.376)	(0.0682)
Constant	3.428***	4.627***	3.171***	3.567***	4.667***
	(0.299)	(0.225)	(1.00461)	(0.830)	(0.135)
Observations	3621	3621	3621	3621	3621
Industry Effect	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.651	0.501	0.348	0.260	0.658

4 Corporate Governance Drivers & the Moderating Role of Institutional Logics

4.1 Introduction

CG presents a standing topic that carries differences among firms. Fundamentally, agency theory addresses the importance of firm governance in terms of controlling the potential agency conflicts arising from the separation of ownership and management (Jensen and Meckling, 1976; Fama and Jensen, 1983; Eisenhardt, 1989). It introduces the means of control in terms of internal CG configurations, including the board of directors as the core of CG and executive compensation, to manage the potential agency problems between owners and managers. CG emphasises an overriding objective of maximising the wealth of shareholders, as the dominant stakeholder group, by increasing firm's financial returns. However, given the various CG configurations, CG practices display a remarkable discrepancy among firms in terms of the setup of firm governance.

While economic hypotheses largely explain the implementation of CG in relation to the structure of the board of directors and executive compensation design, there remains an unexplained idiosyncratic component. Therefore, the CG configurations adopted in firms where ownership status (family or not) is emphasised fall short of adequately explaining the uniqueness of firm governance practices. Emphasising firm practices and decisions, in this study, I direct attention to the notion of ILs – underpinned by institutional theory – as hidden drivers of firm behaviour (Friedland and Alford, 1991). ILs form the core of the main societal sectors of the context where firms exist and operate, providing the guidance and taken-for-granted rules of social actions in terms of the prescriptions of appropriate behaviour and means to achieve it (Thornton and Ocasio, 2008; Greenwood et al., 2011).

Institutional research scholars assert that firm practices are tangible manifestation of the ILs embedded in firm decision making, implying distinct responses to the demands and pressures that firms encounter, given the multiplicity of institutions that society comprises (Greenwood et al., 2010; Pache and Santos, 2010). This sheds light on the influence of ILs on CG configurations in light of established CG determinants. To the extent that ILs covertly drive firm behaviour, and as such, firms vary in making strategic choices and managerial decisions, the literature lacks attention to the effect of ILs on the relationship between well-known CG determinants and configurations. Given the empirical evidence of the association between ILs and CG regarding the firm choice of internal CG configurations – Chapter 3, a question arises

regarding whether and how ILs influences the CG determinant-configuration relationships, namely the moderating role of ILs.

The scholars portray ILs as an intangible construct connected to the culture and nature of firms (Meyer and Rowan, 1977; Danisman et al., 2006), explaining the discrepancy in firm behaviour among firms, where firm practices and decisions best manifest the embeddedness of ILs in firm decision making (Greenwood et al., 2010). However, ILs have not been measured directly or applied to the context CG. Addressing such a gap, in this study, I extend the initial argument of the previous chapter, examining whether CG determinant-configuration relationships differ according to the ILs embedded in the decision making of firms. Particularly, I seek to empirically investigate whether and how ILs affects the effect of CG determinants on CG configurations.

In doing this, I take an important step in terms of using an institutional-based approach to identify and classify firms beyond the ownership criteria. Building on the rapidly growing notion of SEW in the family business literature (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a; Berrone et al., 2012; Miller and Le Breton-Miller, 2014), I group firms as FLDFs and MLDFs based on the embeddedness of family and market logics, respectively, as revealed in a number of behavioural dimensions in terms of real firm practices apart from family ownership status (or not). In contrast to ownership-based studies, I suggest that ownership status (family or not) alone is an inadequate indicator for determining whether or not a firm is family-oriented. This is because it overlooks the importance of firm behaviour, where it fails to consider real firm practices and decisions that demonstrate the firm culture and nature of running a business. That is, incorporating the role of ILs regarding the concept of distinction among firms, in this study, I rethink of family and non-family firms in terms of firm behaviour beyond the conventional understanding and classification of firms.

Specifically, in this study, I depict FLDFs as a distinct business setting in the sense of a family-oriented attitude and preference concerning the priority of SEW preservation, overlapping the family and business systems. In contrast, MLDFs present a shareholder-oriented business setting, prioritising the primary economic business objective of profitability and shareholders' wealth maximisation in an archetypal business system. In doing this, I put forward the firm logic orientations of familiness and marketness, depicting and defining the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven.

Further, I stress the logic orientation of firms as a moderator of the CG determinant-configuration relationships. Therefore, in this study, I emphasise the moderating role of firm

logic orientation concerning the relationship between established CG determinants and configurations, in terms of the structure of the board of directors and execution compensation design, as a more subtle and in-depth articulation of firm type – firm logic orientation – in firm behaviour. The purpose of this study is to advance the knowledge of ILs and expand the understanding of the discrepancy in CG among firms.

Emphasising the perspective of SEW preservation, the main premises justifying the moderating role of firm logic orientation lie in the application of an organismal filter. According to Greenwood et al. (2011), external pressures and demands do not affect all firms equally; however, they pass through organisational filters enacted by the characteristics of firms themselves, namely firm identity. Firm identity affects the interests and priorities, and as such, responses of firms to external demands and pressures, which shape the practices and decisions that firms undertake, making sense of firm behaviour (Scott and Lane, 2000; Albert and Whetten, 2004).

Therefore, building on the priority of SEW preservation, the identity of FLDFs acts as an organisational filter of the CG pressures and demands imposed by the dominant shareholder-oriented governance practices, where SEW poses the leading aspect of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014). Applying the organisational filter of firm identity between CG determinants and configurations, FLDFs respond differently to CG determinants concerning CG configurations relative to MLDFs, mainly aligning CG practices with SEW-related interests and concerns irrespective of the prevailing governance system, consistent with the CG deviance perspective (Aguilera et al., 2018).

Moreover, stemming from the ILs perspective, firms encounter institutional complexity, given the multiple, typically conflicting logics to which they respond differently in the way that best fits them, namely firm response strategy (Greenwood et al., 2011). The response strategy of decoupling basically implies that firms implement practices that are best aligned with firm interests and goals, mainly separating between the operational and normative structures (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008; Tilcsik, 2010; Bromley and Powell, 2012). Emphasising the SEW preservation perspective, FLDFs carry out practices that most likely comply with their interests, goals and preferences in the name of protecting the affective endowments of key firm actors, including authority and control, reputation and prestige, job security and protection and social ties, attached to the firm.

Accordingly, adopting decoupling response strategy, FLDFs create a distinction or separation between the adopted and standard or prevailing systems concerning CG, where they decouple CG configurations from their determinants. That is, responding distinctly to CG

determinants regarding CG configurations, unlike MLDFs, FLDFs do not implement the predominant governance practices at their operational level; instead, according to Mair et al. (2015), they abide by the minimum standards for legitimacy-seeking purposes. Thus, they undertake CG practices that align with their priorities, interests and concerns relating to the preservation of SEW that collectively reflect their identity.

Further, stressing the SEW preservation perspective, the non-economic utilities derived from the firm self-motivate FLDF managers to willingly serve as self-monitored stewards of the business. Given the dual threat that they cope with in terms of bearing both financial and SEW-related risks and the interdependence of firm's financial standing and SEW (Berrone et al., 2012; Miller and Le Breton-Miller, 2014), the managers of FLDFs possess a substantial incentive to protect the firm financially, and in turn, maintain their both financial wealth and SEW closely attached to the firm. Therefore, they actively act efficiently and not opportunistically, given the competitiveness of managerial labour market and the threat of takeover market. This hinders the potential opportunistic behaviour of FLDF managers as the loss aversion of current non-economic benefits linked to the firm offsets the pursuit of future gains.

Accordingly, the self-incentivisation of FLDF managers triggers their stewardship and, according to van Aaken et al. (2017), self-governance. This underpins the substitution effect of SEW for the respective controlling roles of the board of directors and executive compensation (Williamson, 1983). Specifically, the importance of the board of directors and executive compensation as internal CG configurations, regarding their roles of monitoring and advising, as well as managerial motivation and the alignment of managers' and shareholders' interests, respectively, is limited in FLDFs where the preservation of SEW is a priority.

I use samples of 6286 and 6236 firm-year observations from 987 and 971 firms on the S&P 1500 index throughout the period of 2006–2016 for the board of directors and executive compensation analyses, respectively. Required data are retrieved from various databases, including Compustat, Institutional Shareholder Services, Execucomp, Thomson Reuters and Centre for Research in Security Prices. Generally, emphasising the relationship between CG determinants and configurations, the study finds that the firm logic orientations of familiness and marketness have different effects. Overall, considering several constructs of and proxies for CG determinants, it reports that the positive effect of CG determinants on board size, board independence, total and equity-based compensation is a function of or conditional by the firm logic orientation.

Specifically, the results indicate that, compared with the marketness logic orientation, the familiness of firms mitigates the positive CG determinant-configuration relationships. The study applies an interaction empirical setting to provide empirical evidence that, irrespective of ownership status (family or not), the logic orientation of firms moderates the effect of well-known CG determinants, including firm-specific, managerial and governance characteristics, on the structure of the board of directors and executive compensation design, addressing the moderating role of firm logic orientation.

Using CG as the focal empirical window, the results give empirical evidence advocating the notion of ILs as being hidden drivers of firm behaviour relating to the firm culture and nature of running the business. The importance of this study lies in suggesting a distinct view of the familiness and marketness of firms, identifying and classifying firms based on the embeddedness of family and market logics, which tangibly exhibits in firm practices and decisions. In this study, I mainly show how family and market logics play a covert role in influencing firm behaviour, and in turn, differentiating among firms, emphasising the CG context regarding the internal CG configurations in light of specific CG determinants. Looking beyond firm strategies, I particularly shed light on the covert logic-based root; that is, the culture and nature of firms, underlying how firms internally configure businesses concerning the setup of firm governance, in terms of the structure of the board of directors and executive compensation design, to deliver their strategies and goals.

Given this study, I contribute to the literature of ILs, CG and family business in different ways. First, I emphasise, define and operationalise family and market logics. Second, I develop and validate a quantitative measurement of the embeddedness of family and market logics, and I establish an institutional-based classification of firms, identifying and grouping them as FLDFs, hybrid firms or MLDFs beyond the traditional understanding of firm types. Third, I introduce the concept of firm logic orientation, particularly the constructs of familiness and marketness, to define and depict the embeddedness of family and market logics by which a firm is driven. Therefore, I mainly develop an index of the logic orientation of firms based on real firm practices and behaviour. Fourth, relative to the existing ownership-based studies, I use a different approach to view and determine the familiness and marketness of firms, applying the perspective of ILs to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours irrespective of family ownership status (or not).

Fifth, from an empirical perspective, I report a contrast between FLDFs and MLDFs concerning the magnitude of CG determinant-configuration relationships, pointing out the influence of firm logic orientation on the CG of firms. Sixth, I empirically approve and expand

the understanding of the implicit role of ILs – family and market logics – as latent drivers of firm behaviour in terms of affecting the setup of firm governance, distinguishing the effect of established CG determinants on CG configurations among the logic-based groups of firms. Further, in applying the ILs perspective to the context of CG, I thereby provide scholars, policymakers and regulators with a distinct explanation for and advance their understanding of the discrepancy in CG among firms, helping them better develop future CG research, policies and regulators. Lastly, emphasising a different view of the familiness and marketness of firms to explain the difference in CG among firms, I consider an array of CG variables of the board and executive compensation and several constructs of CG determinants.

The next sections of this chapter proceed as follows: Section 2 provides the literature review and hypothesis development. Descriptions of the data, sample and methodology design are provided in Section 3. Section 4 discloses the findings of the empirical tests of hypotheses, discusses the results of the multivariate analysis and provides remarks on the robustness checks. Finally, Section 5 concludes the chapter.

4.2 Literature Review & Hypothesis Development

4.2.1 The Substitution Effect of Socioemotional Wealth

Emphasising the SEW perspective, FLDFs are characterised by the priority of preserving the non-economic utilities of key firm actors – owners and managers – as a family-oriented attitude and preference in contrast to shareholder-oriented MLDFs. In other words, as a primary distinguishing factor, SEW underlies the difference between and classification of FLDFs and MLDFs. Stressing the perspective of SEW preservation, FLDFs are governed by the same logic of, and in turn, display similar behaviour to family-owned or controlled firms regarding certain firm practices and decisions, which are empirically proven to vary between family and non-family firms (Gomez-Mejia et al., 2011a; Berrone et al., 2012; Miller and Le Breton-Miller, 2014). Importantly, concerning the difference between FLDFs and MLDFs, this is drawn on the assumption that SEW is not supposed to be limited to family businesses or members (Miller and Le Breton-Miller, 2014). That is, as Berrone et al. (2010) assert, family ownership or membership is not a necessary condition to derive, and as such, prioritise preserving such non-economic benefits, where both non-family shareholders and managers can possess different kinds of SEW attached to the firm.

As Gomez-Mejia et al. (2007) explain, SEW has a multidimensional character that captures the non-economic utilities derived from the firm, namely the exercise of authority and control, enjoyment of power and influence over the business, satisfaction relating to job security and protection, identification with the firm in terms of reputation, prestige and image, and social

ties and business networks. Founded on behavioural agency theory, SEW serves as an essential reference point for firm's key actors in relation to making strategic choices and managerial decisions, avoiding the potential loss of SEW (Gomez-Mejia et al., 2011a; Berrone et al., 2012). Therefore, drawing on the SEW preservation perspective, the managers of FLDFs refrain undertaking firm practices and decisions that expose SEW to risk. This facilitates the protection or expansion of their affective endowments as the preservation of SEW presents a vital criterion against which the outcomes of strategic choices and managerial decisions are fundamentally evaluated.

Unlike shareholders, managers are undiversified regarding their financial wealth, which is tightly tied to their careers that also permit reputation and prestige, job security, authority and power and social ties. Accordingly, as Berrone et al. (2012) explain, poor financial performance imposes a dual threat to FLDF managers in terms of financial hardship and SEW loss, given the competitiveness of managerial labour market and the threat of takeover market. Likewise, given the mutual outcomes of firms' financial and SEW-related goals, the financial status of firms and SEW are interdependent as they both yield to each other (Kabbach de Castro et al., 2016; Fitz-Koch and Nordqvist, 2017).

According to Miller and Le Breton-Miller (2014), although SEW-related objectives are generally perceived to contradict the financial objectives of firms, economic and non-economic goals can be mixed and attained simultaneously. That is, fulfilling the non-economic objectives in the name of preserving the affective endowments of key firm actors contributes to the financial performance, and in turn, financial standing of firms, and vice versa. Particularly, preserving and extending the non-economic utilities linked to the firm entails, on the part of FLDF managers, significant effort to run the business, effectively engaging with firm stakeholders and ultimately improving firm competitiveness and survival (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012). That is, drawing on the concern for SEW preservation, the managers of FLDFs are self-motivated to act efficiently and not opportunistically.

Therefore, given both financial and SEW-related risks that FLDFs bear and the interdependence of firm's financial status and SEW, they have a substantial incentive to actively safeguard the firm financially, and consequently, preserve the non-economic utilities derived from the firm. In other words, protecting their affective endowments, the managers of FLDFs are self-incentivised to voluntarily serve as self-monitored stewards of the business, align their interests with those of shareholders and strive for maintaining the business success and continuity for a win-win objective of shareholders and managers. Accordingly, this limits the

potential opportunistic behaviour of FLDF managers as the loss aversion of current SEW offsets the pursuit of future gains.

Thus, stressing the self-motivation of FLDF managers regarding their stewardship, it is contended that SEW itself serves a governance, disciplinary role in FLDFs, substituting for the respective controlling roles of internal CG configurations in terms of controlling and disciplining managerial behaviour and performance. The core of CG lies in the potential agency problem that arises upon the separation of ownership and management, namely the principal-agent conflict, which is characterised by managerial opportunism that increases agency costs (Jensen, 1986; Eisenhardt, 1989).

Therefore, for controlling and directing the top management of firms, CG is introduced as a means of control to align the interests of managers and shareholders, mitigating the agency problem that can otherwise harm firm shareholders' financial wealth. Drawing on the SEW preservation perspective, the self-motivation of the managers of FLDFs implies that the priority of protecting or expanding the affective endowments derived from the firm substitutes for the internal CG configurations, namely the structure of the board of directors and executive compensation design, as it helps restrict the potential managerial opportunism, and in turn, mitigate the principal-agent conflict.

Building on the suggestion of Williamson (1983) on the substitute hypothesis, it is argued that SEW has a substitution effect in FLDFs for the respective controlling roles of internal CG configurations, limiting their need and necessity. Therefore, in this study, I propose that the importance of the board of directors and executive compensation as internal CG configurations, in terms of the monitoring and advising roles, as well as the managerial motivation and alignment of interests roles, respectively, is less in FLDFs where the preservation of SEW is a priority.

Emphasising the substitution effect in the context of CG, the scholars have addressed the substitution effect between internal and external mechanisms of CG (e.g., Desai et al., 2005; Bozec and Bozec, 2007; Misangyi and Acharya, 2014), which diminishes the effectiveness and necessity of some control configurations. Discussing family businesses, Gnan et al. (2015) address the substitution effect of family councils for the role of the board, given the need to protect family tangible assets, in terms of financial welfare, and intangible assets, in terms of unity, name, reputation and authority. They find that the presence of a family council limits the monitoring role played by the board of directors.

Following the work of Gnan et al. (2015), in this study, I shed light on SEW – a key distinguishing factor between FLDFs and MLDFs – in terms of playing a disciplinary role for

FLDF managers in accordance with the concern for preserving the non-economic utilities attached to the firm. This leaves a little room for internal CG configurations. Emphasising the self-motivation of FLDF managers concerning their stewardship, SEW enacts the 'self-governance' of managers, which has a substitution effect (van Aaken et al., 2017). Stemming from the family business literature, the scholars assert that self-governance mainly places restrictions on managers' scope of action, particularly handling self-control problems.

That is, it suggests a self-control regarding a set of self-imposed rules that restrict the doer's self-serving opportunities. Thus, building on the self-governance perspective, the affective endowments linked to the firm, including prestige and reputation, job security, social ties and business networks and control and authority, prevent the managers of FLDFs from behaving opportunistically. Otherwise, self-control problems can emerge that are at odds with shareholders' interests, harming the long-term interests of business, and in turn, threatening the SEW of FLDF managers.

For handling self-control problems, the rules are self-imposed by the managers of FLDFs to protect or expand SEW in compliance with the fulfilment of the financial objectives of firms. Building on the priority of SEW preservation, FLDF managers are likely to avoid actions that expose the derived non-economic utilities to risk, indicating that decision making is far from an economic logic. However, given the dual threat that FLDF managers confront, as well as the interdependence of firm's financial status and SEW, both economic and non-economic objectives can align for a win-win objective of shareholders and managers. Therefore, the decisions of FLDF executives become coherent concerning the competitiveness and survival of firms for the best interests of shareholders, mitigating the risk exposure of SEW. This implies a self-governance of FLDF managers in the name of SEW preservation. That is, drawing on the self-governance perspective, the priority of SEW preservation prompts the self-governance of FLDF managers, which substitutes for the respective controlling roles of CG configurations in terms of the structure of the board of directors and executive compensation design.

Specifically, emphasising the substitution effect of SEW, the need for large and independent boards and the necessity of high total and incentive-based compensation to control and discipline the top management of FLDFs may be diminished. Therefore, it is contended that FLDFs are less likely to expand the size and independence of the board or raise the total and incentive-based compensation of executives in response to CG determinants compared with MLDFs. That is, stressing the logic orientation of firms, it is argued that the positive relationship between CG determinants and configurations differs between FLDFs and MLDFs. Thus, given the familiness logic orientation of firms, there may be an interplay between CG configurations, determinants and the SEW derived from the firm. Particularly, drawing on the

substitution effect perspective, in this study, I suggest that the positive relationship between CG determinants and configuration is less pronounced in FLDFs relative to MLDFs. That is, given the disciplinary role of SEW, FLDFs may restrict the positive CG determinant-configuration relationships.

4.2.2 Organisational Filters

Given the difference in CG configurations among firms, Aguilera et al. (2018) shed light on the concept of 'CG deviance' regarding the nonconformity of firm governance practices to the dominant governance system that is shareholder-oriented in the US context. Explaining the antecedent of the deviance of firm governance, they mainly claim that firm entrepreneurial identity helps firms derive some CG discretion that yields to distinct, idiosyncratic firm governance practices, drawing on the entrepreneurship and CG literature. According to Ravasi and Schultz (2006), Glynn (2008) and Kodeih and Greenwood (2014), this is because firm identity determines firm interests and priorities, making sense of firm practices and behaviour.

Building on the priority of SEW preservation, FLDFs possess a unique, potent firm identity in relation to SEW-related interests and goals. Following Greenwood et al. (2011), FLDFs' identity, thereby, implies conditions against, and as such, resistance to the pressures and expectations of CG imposed by the prevailing governance practices in the name of protecting the non-economic utilities of key firm actors. Thus, such an identity prompts the CG latitude of FLDFs, given that SEW portrays the leading feature of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014).

Emphasising the perspective of CG deviance (Aguilera et al., 2018), the more CG discretion that FLDF's identity drives, the more likely is their deviance from the prevailing governance system. That is, firm identity underpins the distinct CG configurations as evident by the difference in the choices of internal CG configurations between FLDFs and MLDFs – Chapter 3. Integrating the perspectives of SEW preservation and firm identity, the structure of the board of directors and the executive compensation plan show to vary as a function of the firm type in terms of the logic-based group. Consistent with the CG deviance perspective, this suggests deviant CG practices of FLDFs relative to the dominant governance system, which is, drawing on the firm theory and market discipline perspectives, more likely obeyed in shareholder-oriented MLDFs given the overarching objective of CG concerning shareholders' wealth maximisation.

Stemming from the ILs perspective, Greenwood et al. (2011) assert that firms encounter multiple institutional pressures and demands to which firms expose and respond distinctly as a function of firm identity. According to Ravasi and Schultz (2006), firms exhibit different

practices as a manifestation of firm identity, which interprets and gives meaning to firm behaviour as a sensemaking tool. Similarly, Kodeih and Greenwood (2014) point to the role of firm identity in terms of determining what a firm is and what it wishes to become, affecting the perceptions of firm opportunities and adopted firm responses to cope with such pressures and demands.

As Greenwood et al. (2011) point out, external pressures and demands do not affect all firms equally; however, they pass through organisational filters enacted by the characteristics of firms themselves, namely firm identity. Thus, emphasising the firm identity perspective, there seems to be a process of filtering the pressures and demands that firms encounter, where firm identity serves as an organisational filter, justifying how and why firms behave differently. Therefore, incorporating the CG and organisational filter perspectives, it is argued that the pressures, demands and expectations of CG are filtered at the firm level by firm identity, framing and determining the setup of firm governance.

Drawing on the perspective of SEW preservation, SEW presents the core family-oriented facet that differentiates between FLDFs and MLDFs. Therefore, the SEW preservation provides a demonstration of the characterisation and distinction of the identity of FLDFs concerning firm interests and priorities. Accordingly, such an identity may impose an organisational filter in relation to the CG expectations and demands enforced by the prevailing governance system. According to Albert and Whetten (2004) and Scott and Lane (2000), firm identity influences the priorities of and responses to external demands, along with the practices and decisions that firms undertake.

This clarifies how firm behaviour complies with firm concerns, goals, interests and priorities that collectively present firm identity. Thus, it is contended that the organisational filter of firm identity frames how FLDFs fulfil and respond to the pressures and demands of CG in accordance with the concern for SEW preservation, filtering the CG demands and expectations enforced by the dominant governance system. Therefore, building on the organisational filter perspective, in this study, I suggest that the firm response to CG determinants regarding CG configurations differs according to the firm type in terms of the logic-based group. Accordingly, as empirically proven in the previous chapter, CG configurations in terms of the structure of the board of directors and executive compensation plan differ between FLDFs and MLDFs.

Following Aguilera et al. (2018), firm identity feasibly drives the CG discretion of FLDFs in relation to resisting the pressures and expectations of CG imposed by the dominant governance practices that contradict SEW-related concerns and goals. Stressing the priority of

SEW preservation, this results in CG deviance in terms of departing from the prevailing shareholder-oriented governance system, where the identity of FLDFs may filter the pressures and demands of CG. As such, drawing on the perspective of SEW preservation, in this study, I posit that FLDFs apply an organisational filter of a unique, potent firm identity between CG determinants and configurations, responding differently to CG determinants regarding CG configurations in alignment with the concern for protecting the non-economic benefits of firm's key actors. Thus, stressing the perspective of organisational filter, it is argued that the relationship between CG determinants and configurations varies as a function of firm logic orientation.

Particularly, in this study, I propose less pronounced relationship between CG determinants and configurations in FLDFs relative to MLDFs. In other words, applying an organisation filter between CG determinants and configurations, FLDFs may limit the CG determinant-configuration relationships in the name of preserving or extending SEW, refraining undertaking CG practices that expose SEW to risk. That is, concerning the structure of the board of directors and executive compensation design, it is contended that FLDFs are less likely to enlarge the size and independence of the board or increase the total and incentive-based compensation in response to CG determinants relative to MLDFs.

4.2.3 Decoupling Response Strategy

Stemming from the perspective of ILs, Greenwood et al. (2011) assert that as firms experience institutional complexity, they confront multiple and incompatible institutional pressures, norms and demands. Specifically, the central logics of the main institutions of society in which firms exist and operate impose conflicting demands and pressures in terms of practices, norms and values. In this context, firms need to find ways to deal with such demands and expectations to obtain legitimacy from key external institutional referents (Friedland and Alford, 1991). Conceptually, ILs provide resilient prescriptions and guidance of social actions in terms of the taken-for-granted rules of appropriate behaviour and means to achieve it (Thornton and Ocasio, 2008). As the incompatibility between ILs increases, firms face more challenges and eventually respond in a way that best fits them (Greenwood et al., 2011).

Regarding firm response strategies, institutional research has largely pointed to decoupling as a response strategy, among others, to institutional pressures and demands in the context of coexisting and contradictory ILs. Like other response strategies, decoupling basically implies that firms implement practices that are best aligned with firm interests and goals (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008; Bromley and Powell, 2012). Therefore, firms adopt a decoupling response strategy particularly when the pressures and demands that they

confront contradict their interests and undermine their priorities, where they keep their operational structures separate and distinct from the normative structures (Tilcsik, 2010; Bromley and Powell, 2012).

This indicates that firms undertake practices that most likely comply with their interests, goals and preferences, creating a distinction or separation between the adopted and standard or prevailing systems. In other words, by adopting a decoupling response strategy, firms do not implement the predominant practices at their operational level; instead, according to Mair et al. (2015), they abide by the minimum standards for legitimacy-seeking purposes. Accordingly, consistent with the perspective of the organisational filter of firm identity, by decoupling, firms undertake the practices that align with their priorities, interests and concerns that collectively present firm identity, filtering and insulating from the demands and pressures that firms encounter. As Greenwood et al. (2011) note, emphasising the identity of firms, this indicates more conditions towards, and as such, resistance to such demands, expectations and pressures.

Thus, the adoption of decoupling response strategy aligns with firm identity in relation to firm interests and priorities, which initially drive the differences among firms, influencing firm practices and decisions. Building on the SEW preservation perspective, it is argued that FLDFs separate the implemented and dominant governance practices in accordance with SEW-related interests and concerns, where SEW reflects the characterisation and distinction of the identity of FLDFs. Drawing on the firm theory and market discipline perspectives, MLDFs are more likely to abide by the prevailing shareholder-oriented governance practices, while FLDFs deviate from the dominant governance system to the extent that helps protect or extend SEW. In doing so, in this study, I propose that FLDFs adopt decoupling response strategy regarding the response of CG configurations to their determinants.

Stressing the concern of for SEW preservation, it can be stated that incompatibility is expected regarding the dominant governance practices and SEW-related concerns and goals in FLDFs. In other words, the expectations and demands of CG imposed by the prevailing governance system may contradict the interest and challenge the priority of FLDFs concerning preserving the affective endowments of key firm actors, including authority and control, reputation and prestige, job security and protection and social ties, attached to the firm. Therefore, stemming from the perspective of SEW preservation, it is contended that FLDFs respond to the pressures and expectations of CG in a way that best fits them by adopting a decoupling response strategy, where they depart from the dominant governance practices if these contradict firm priorities and interests regarding the preservation of SEW.

Specifically, in this study, I suggest that FLDFs adopt decoupling response strategy to the pressures and demands of CG imposed by the prevailing governance system, separating between CG determinants and configurations, where they implement CG practices that best align with SEW-related interests and goals. Accordingly, the adoption of decoupling response strategy to CG demands and expectations enforced by the dominant governance system suggests deviant, idiosyncratic CG practices of FLDFs. Emphasising the concern for SEW preservation, they may isolate themselves from the CG pressures and demands imposed by the prevailing shareholder-oriented governance practices that conflict with SEW-related concerns and goals to fulfil firm interests and priorities, in line with the CG deviance perspective (Aguilera et al., 2018). Particularly, adopting a decoupling response strategy, FLDFs may restrain the CG determinant-configuration relationships in the name of protecting or expanding SEW, decoupling CG configurations from their determinants.

Therefore, in this study, I propose that, the relationship between CG determinants and configurations differs according to firm logic orientation, where, by decoupling, FLDFs respond distinctly to CG determinants concerning CG configurations in compliance with the priority of preserving the non-economic utilities of key firm actors, avoiding implementing CG practices that threaten SEW. Emphasising the response strategy of decoupling, it is argued that the CG determinant-configuration relationships are less pronounced in FLDFs relative to MLDFs. Therefore, in this study, I posit that FLDFs are less likely to increase the size and independence of the boards or raise the total and incentive-based compensation of executives in response to CG determinants compared with MLDFs.

4.2.4 Corporate Governance Drivers

4.2.4.1 The Board of Directors

A key aspect of firm governance is the structure of the board of directors, which is explained based on efficiency and power, mainly following the arguments of firm operations complexity, monitoring and advising benefits and costs and managerial entrenchment (e.g., Boone et al., 2007; Guest, 2008). Boone et al. (2007) assert that board size and independence vary among firms as a function of firm-specific and managerial characteristics. Drawing on agency theory, the board of directors presents an internal control configuration that primarily serves the functions of monitoring and advising top managers, where the directors on the board are elected by firm shareholders – the dominant stakeholder group – to act on their behalf (Hillman and Dalziel, 2003). In this way, the board of directors monitors, advises, evaluates, controls and disciplines managerial behaviour and performance, ensuring the best interests of shareholders.

The advising function of the board lies in providing top management with expertise, advice, direction, information and access to resources, both financial and human capital in terms of social ties and business networks, mandatory to run the business. As such, controlling for the potential free-rider problem, larger boards introduce a variety of skills, minds, senses, expertise, shared efforts and channels that enrich the advising role for the benefit of firms, improving the board efficiency and power. Further, emphasising the efficiency of the board, independent directors are particularly perceived to serve the advising role of the board more efficiently as being financially and emotionally independent of the firm. They provide managers with presumably objective advice and direction, essential expertise and business networks (Fama and Jensen, 1983). Therefore, according to Guest (2008), as larger number of directors and higher percentage of independent directors on the board enhance the board advising role regarding directing, assessing, controlling and disciplining managerial behaviour and performance, both board size and independence increase as the need for advice and expertise increases.

Lehn et al. (2009) assert that such need raises as the complexity of firm operations increases. In accordance with this, Coles et al. (2008) note that more complex firm operations require larger boards in terms of the senses, competency, minds and experience of directors on the board. Therefore, they advise, evaluate, control and discipline top management and bring in specialised skills and knowledge to fulfil the demands and challenges associated with firm operations complexity. Moreover, building on the perception of outside directors' competency, Anderson et al. (2000) and Coles et al. (2008) explain that firm operations complexity gives rise to severe agency conflicts, demanding considerable monitoring of managerial behaviour and performance. This implies an effect on the board composition in terms of a higher proportion of independent directors on the board. Most of the vast existing studies have found that board size and independence are positively related to the measures of firm operations complexity, such as firm size, firm risk, growth opportunities and the capital structure of debt (e.g., Baker and Gompers, 2003; Berry et al., 2006; Coles et al., 2008; Linck et al., 2008; Lehn et al., 2009).

The monitoring function of the board is about monitoring the behaviour and performance of top management and maintaining the alignment of managers' interests with those of shareholders to ensure their best interests. Unlike inside directors, outside directors are presumed to perform the monitoring role of the board more effectively and objectively due to being financially and emotionally independent of the firm. Stressing the board efficiency, they act as a watchdog to mitigate the potential managerial opportunism and align the interests of both managers and shareholders, delivering effective monitoring competence and experience (Fama and Jensen, 1983). In addition, controlling for the potential problem of free riders, larger boards represent wider oversight of top management in relation to more skills, minds,

competency and senses on the board, enhancing the efficiency and power of the board. According to Anderson et al. (2004) and Williams et al. (2005), board size is positively related to board monitoring effectiveness.

Because of greater shared effort, competency, senses, skills, expertise and channels, larger number of directors and higher representation of independent directors on the board improve the board monitoring role concerning supervising, evaluating, controlling and disciplining managerial behaviour and performance (Lehn et al., 2009). Raheja (2005) states that the benefits of monitoring indicate the extent and effectiveness of the monitoring function of the board, determining both board size and independence. Specifically, as the benefits of monitoring and advising increase, the boards will need to oversee top management more closely and effectively to control and discipline the potential opportunistic behaviour of managers. Therefore, board size and independence are positively related to monitoring and advising benefits, in a trade-off between the benefits and costs of appointing a new board director (Boone et al., 2007). According to Guest (2008), drawing on the potential managerial opportunism related to rent-seeking activities, the benefits of monitoring increase as the potential managers; private benefits increase at the expense of shareholders.

Empirical studies widely use free cashflows to indicate the potential private benefits of managers as a proximal measure of the monitoring and advising benefits. Jensen (1986) provides the rationale for free cashflows as incentivising managers to derive private benefits and expropriate shareholders' wealth as a rent-seeking activity, instead of acting in the best interests of shareholders, giving rise to an agency conflict between managers and shareholders. The extant studies have found that board size and independence are positively related to the potential private benefit of managers as a measure of monitoring and advising benefits (e.g., Baker and Gompers, 2003; Berry et al., 2006; Coles et al., 2008; Linck et al., 2008).

4.2.4.2 Executive Compensation

Another essential firm governance aspect is the design of executive compensation, which is primarily aimed at motivating top managers and aligning their interests with those of shareholders. Due to the separation between management and ownership, the potential of managerial opportunism arises in terms of deriving private benefits – both economic and non-economic – from controlling business resources and decisions at the cost of shareholders, jeopardising the fundamental duty of top management regarding acting in the best interests of shareholders (Chalmers et al., 2006). Particularly, given their undiversified financial wealth in comparison with shareholders, executives are presumed to behave opportunistically, pursuing

both financial and non-financial benefits at the expense of shareholders in a self-serving manner unless they are controlled.

Therefore, agency theory suggests the enforcement of executive compensation contracts as an internal control configuration to motivate, control and discipline managerial behaviour and performance. Thus, emphasising the contractual relationship between managers and shareholders, top executives are incentivised to make an effective effort to maximise shareholders' wealth, providing shareholders with outstanding and stable returns for which executives are rewarded in the form of compensation (Jensen and Meckling, 1976). Jensen and Murphy (1990) assert that executive compensation contracts, as such, present a means of mitigating the potential dysfunctional and opportunistic behaviour of managers, aligning the interests of both managers and shareholders.

Emphasising the perspective of managerial opportunism, executive compensation aims to impose a substantial incentive for outstanding managerial performance and – by extension – considerable discipline for inferior performance of managers; it also yields a dismissal threat, controlling and disciplining managerial behaviour and performance. Thus, given the competitiveness of managerial labour market and the takeover market threat, this primarily motivates top management and prompts the alignment of managers' and shareholders' interests. As executive compensation components differ regarding their incentive implications (Chalmers et al., 2006), the measures of executive compensation exhibit heterogeneous patterns among and within firms. Extensive research has examined the determinants of the design of executive compensation, attributing its variations to firm-specific economic attributes, governance and managerial characteristics.

Regarding the economic attributes of firms, the firm-specific characteristics, such as firm size, firm age, firm risk, the capital structure of debt and growth opportunities, indicate the scope of firm business that is positively related to the level of executive compensation and affects its form (Elloumi and Gueyie, 2001; Boschen et al., 2003). Greater economic attributes of firms reflect wider scope of firm business, imposing more demands and challenges that managers cope with. Accordingly, as the scope of firm business widens, firms tend to motivate, control and discipline top managers by offering higher total and incentive-based compensation, such as equity-based compensation, coupling managerial performance and pay.

However, wider firm business scope entails more qualified and experienced executives who, in return, demand higher or lower managerial remuneration based on its form in order to be attracted and retained. Therefore, stressing the managerial power, influence and seniority perspective, greater expertise, tenure and skills of managers denote managerial entrenchment in

terms of the bargaining and negotiation power of managers over the design of executive compensation (Grabke-Rundell and Gomez-Mejia, 2002). As such, given the managerial labour market competitiveness and the threat of takeover market, managers can expropriate private benefits at the cost of shareholders via managerial remuneration. Emphasising the managerial characteristics, this implies that firms pay managers higher total compensation, but lower incentive-based compensation, perhaps more than optimal executive compensation.

For a complete executive compensation model, Grabke-Rundell and Gomez-Mejia (2002) incorporate the behavioural dimension of power possessed by managers in a competitive managerial labour market and the managerial risk-averseness to empirically test managerial remuneration. Specifically, they assert that the managerial entrenchment presents a power base for executives. Emphasising the managerial characteristics, as the tenure and experience of executives extends, they become more entrenched in the firm in terms of managerial control, power and seniority, and in turn, their interests and preferences are more likely satisfied.

In addition, greater managerial expertise, talent and skills help legitimise the negotiation discretion of managers over the board decisions on executive compensation, exerting managerial power that probably results in total compensation beyond what is optimal and higher fixed, secure pay. Particularly, the ability of managers as perceived by firm performance entitles them to derive an extent of bargaining power that they willingly exercise over firm resources and decisions to attain self-interests. Thus, stressing the managerial entrenchment perspective, executives can practise influence and control over both the level and form of executive compensation. Supporting this, Amoako-Adu et al. (2011) and Bebchuk et al. (2002) assert that top managers take advantage of the bargaining power, managerial control and seniority in the firm derived from the managerial characteristics in terms of determining their remuneration, implying a rent extraction via excess executive compensation.

Concerning the governance characteristics, the board of directors plays a key role in controlling the contractual relationship between the top managers and shareholders of firms regarding executive compensation contracts, where the compensation committee of the board is in charge of the decisions on the design of executive compensation. Stressing the effectiveness of the board structure, effective boards in terms of higher board independence – a lower proportion of insider or affiliate directors on the board – indicate stronger CG. Higher percentage of outside directors on the board improves the monitoring and advising roles of the board in relation to supervising, directing, assessing, controlling and disciplining managerial behaviour and performance, limiting the managerial power that managers exert.

Thus, incentive-based compensation, such as equity-based compensation, is used more extensively in firms appointing more independent boards, effectively coupling the performance and pay of managers (Mehran, 1995). Therefore, this basically restricts the potential managerial opportunism in terms of weakening the managerial entrenchment relating to managerial control, influence and seniority in the firm, as well as bargaining power (Grabke-Rundell and Gomez-Mejia, 2002). Accordingly, managers are impeded from both maintaining relaxed linkage between managerial performance and pay, and obtaining managerial remuneration in excess of optimal executive compensation, which, as such, alleviates the rent-seeking activities of managers at the expense of shareholders (Bebchuk et al., 2002).

In contrast, ineffective boards are associated with higher (less) total (incentive-based) compensation of managers. Specifically, weak CG gives top executives an extent of latitude to exert power and practise control that serve their self-interests and private benefits regarding the design of executive compensation (Grabke-Rundell and Gomez-Mejia, 2002). The ineffectiveness of the board affects the executive compensation components in terms of decoupling managerial performance and pay, given that managers are undiversified and risk-averse agents of the firm. Emphasising the ineffectiveness of the board structure, Grabke-Rundell and Gomez-Mejia (2002) assert that managers derive power and discretion with which they more effectively can bargain over variable incentive pay. Given the competitiveness of managerial labour market and the market for takeover threat, they favour lax linkage between managerial performance and pay, protecting themselves for bearing the full risk in accordance with their risk-averseness.

Stressing several well-known CG determinants, it is contended that the relationship between CG determinants and configurations in terms of the structure of the board of directors and executive compensation design differs as a function of the logic orientation of firms, stemming from the perspective of SEW preservation that underlies family logic in the sense of a family-oriented attitude and preference. That is, in this study, I extend the initial argument of the previous chapter on the difference between FLDFs and MLDFs in the choices of internal CG configurations to further suggest a moderating role of firm logic orientation concerning the CG determinant-configuration relationships, as a more subtle and in-depth manifestation of firm type – the logic orientation of firms – in firm behaviour. Building on the literature above, the following hypothesis is proposed:

> H1: Relative to the marketness logic orientation, the familiness of firms mitigates the positive effect of firm-specific, managerial and governance characteristics on CG configurations.

Figure 4.1 encapsulates the conceptual framework of the study.

4.3 Data & Methodology Design

4.3.1 Sample Selection & Data Description

The same samples are used as in the previous chapter. The board of directors analysis sample is comprised of 6286 firm-year observations from 987 firms and the sample of the executive compensation analysis is comprised of 6236 firm-year observations from 971 firms in the period of 2006–2016. The mandatory financial, board, executive compensation, institutional holdings and stock data are obtained from the databases of Compustat (Fundamentals Annual), Institutional Shareholder Services (Directors and Directors Legacy), Execucomp (Annual Compensation), Thomson Reuters (Institutional 13f Holdings) and the Centre for Research in Security Prices (Monthly Stock Files), respectively. I exclude firms with fewer than three board directors to eliminate the likely data entry errors, and firms with fewer than three executives as an indicative number of firm-level compensation. Also, I include firms for which the complete data are available for a minimum of two years. Further, I exclude firms operating in the public utilities and financial services sectors that are subject to distinct regulations (SIC code: 4900-4999 and 6000-6999, respectively).

4.3.2 Variables Construction

4.3.2.1 Dependent Variables

The dependent variables fall into two categories of CG configurations: (1) the board of directors structure, and (2) executive compensation design. The variables are measured in the traditional way as in the extant literature of CG. For the construction of board and compensation variables, I follow Boone et al. (2007), Chen and Al-Najjar (2012), Guest (2008) and Linck et al. (2008), and Cheng et al. (2015), Conyon (2014), Focke et al. (2017) and Lin et al. (2013), respectively.

The Board of Directors Structure

The structure of the board of directors is analysed using two variables: (1) board size, and (2) board independence. Data of the board are retrieved from the Institutional Shareholder Services (ISS) database. Board size ($BoardSize$) is defined as the total number of directors on the board of firm i in year t. Board independence ($BoardIndependence$) is calculated as the percentage of outside (independent) directors, as flagged on ISS, on the board of directors of firm i in year t as the number of independent directors divided by board size.

Executive Compensation Design

The design of executive compensation is analysed stressing two main compensation measures: (1) total compensation and (2) equity-based compensation. Executive compensation data are obtained from Execucomp database where the firm-level compensation variables are computed based on the annual average compensation of the top-three paid executives of firm i in year t regarding total compensation.

To minimise the effect of outliers, I log transform each compensation variable in the form of Ln(1+ 'Compensation variable(s)' in Execucomp) in the regression analysis. Total compensation ($TotalComp$) is the natural logarithm of one plus 'tdc1' variable in Execucomp which represents the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. Equity-based compensation ($EquityComp$) is a variable incentive pay calculated as the natural logarithm of one plus the sum of grant date fair value of option 'option_awards_fv' and stock awards 'stock_awards_fv'.

4.3.2.2 Independent Variables

Stemming from the range of control variables known to affect CG configurations and integrated in the analysis of the previous chapter concerning the firm choice of CG configurations, the independent variable of interest is the interaction term of firm logic orientation – familiness and marketness – and the proximal measure of each CG determinant of concern, stressing the contrast particularly between FLDFs and MLDFs regarding a number of well-known CG determinant-configuration relationships. Incorporating such interaction mainly addresses the moderation effect of firm logic orientation on the relationship between CG determinants and configurations, extending the argument of the main effect of firm logic orientation on the firm choice of CG configurations.

Regarding CG determinants, I use different variables to proxy for a set of structural constructs that are documented in the literature as established drivers of CG whose effect on CG configurations, in terms of the board of directors structure and executive compensation design, I expect to vary as a function of firm logic orientation. I mainly use multiple proxies for single structural constructs, alleviating the attenuation bias that results from the potential measurement error in proxied variables (Boone et al., 2007; Guest, 2008; Linck et al., 2008). Concerning the complexity of firm operations and the scope of firm business, I use the firm-specific characteristics of firm size ($FirmSize$), the natural logarithm of firm's sale; firm age ($FirmAge$), the natural logarithm of the number of years a firm has been listen on CRSP; capital structure ($Debt$), the debt financing of firm measured by the ratio of long-term debt to firm's total assets; growth opportunities ($Growth$), the natural logarithm of the market-to-book

ratio as the market value of equity divided by book value of equity; and firm risk ($Risk$), the standard deviation of monthly stock returns over the 12-month period preceding year end.

Regarding the monitoring and advising benefits, I emphasise managers' potential private benefits using the measure of free cashflow ($FreeCashFlow$) as the cash holdings divided by firm's total assets. Concerning the governance characteristics, I stress the effectiveness of the board structure using board size ($BoardSize$), the total number of directors on the board; and board independence ($BoardIndependence$), the percentage of outside directors on the board as the number of outside directors divided by the total number of directors on board. Regarding the managerial characteristics, I stress the managerial entrenchment in terms of managerial influence, power and seniority in firm using CEO age ($ExecutiveAge$) and tenure ($ExecutiveTenure$), the number of years a CEO has been in firm's position; and CEO bargaining power using the perceived ability of CEO in terms of firm performance, measured by the stock-based performance measure of the annual average stock return ($StockPerformance$) and the market-based performance measure of Tobin's Q value as the sum of total assets and market value of equity mins book value of equity scaled by firm's total assets ($MarketPerformance$).

To gain insight about the moderation effect of firm logic orientation on the relationship between CG determinants and configurations, I use two dichotomous variables of firm type, in terms of logic-based group, as moderators or conditioning variables, capturing the firm logic orientations of familiness and marketness against other logic orientations separately. According to the developed logic orientation index, firms are classified in the first, presenting the familiness logic orientation of firms; second, presenting the hybrid logic orientation of firms; or third, presenting the marketness logic orientation of firms, logic-based group of FLDFs, hybrid firms and MLDFs, respectively.

Therefore, building on the logic orientation index, the first moderator ($FamilyFirm$) is an indicator variables that equals 1 for the familiness logic orientation of FLDFs, and 0 otherwise – hybrid firms and MLDFs, and the second moderator ($MarketFirm$) is an indicator variable that equals 1 for the marketness logic orientation of MLDFs, and 0 otherwise – hybrid firms and FLDFs, to simplify the structure of data and results interpretation. As hybrid firms exhibit an overlap between familiness and marketness regarding firm practices and behaviour, they represent a grey area between FLDFs and MLDFs. Thereby, they are basically thought neutral in terms of firm logic orientation as they do not have strongly marked practices. In turn, I stress the contrast particularly between the extreme logic-based groups of FLDFs and MLDFs.

4.3.3 Empirical Methodology & Model Specification

I primarily investigate the influence of ILs concerning the moderation effect of firm logic orientation on, namely the magnitude of, the relationship between CG determinants and configurations, emphasising the contrast primarily between FLDFs and MLDFs. The analysis mainly goes into two steps. First, an interaction empirical setting of multiple regression analysis that tests the presence of interaction, the moderation effect of firm logic orientation. Second, a post-hoc probing analysis of the significant interaction.

4.3.3.1 Testing Presence of Interaction

Testing H1, I incorporate family and market logics as moderators or conditioning variables in terms of firm logic orientation, both familiness and marketness, respectively, to examine whether a moderation effect presents regarding the relationship between well-known CG determinants and configurations. Namely, the study focuses on whether the effect of a given CG determinant on a specific CG configuration is a function of the firm type in terms of the logic-based group; MLDFs or FLDFs. By definition, the moderator of firm logic orientation specifies the conditions under which a predictor of CG determinant is related to an outcome of CG configuration. As such, apart from the traditional split of family and non-family firms, the familiness and marketness logic orientations of firms represent two different conditions under which a given CG determinant-configuration relationship is analysed. Therefore, I empirically test whether and how FLDFs and MLDFs differ regarding the effect of a number of CG determinants on CG configurations in an empirical setting of interactions.

Following Holmbeck (1997) concerning the strategy of testing the interaction, I first test for the presence of a moderation effect of firm logic orientation within a multiple regression. Specifically, I examine whether the interaction term of firm logic orientation and the CG determinant variable – a moderator and an independent variable – is a statistically significant predictor of the CG configuration of concern, after controlling for the effect of both variables of interaction and other control variables documented in the literature. Therefore, using the multiple regression approach (Holmbeck, 1997), I analyse the significance of the moderation effect of firm logic orientation – familiness and marketness – on the CG determinant-configuration relationships by estimating the following baseline regression models using the pooled samples and ordinary least-squares (OLS) method in the preliminary analysis.

$$\begin{aligned} Board_{it} = {} & \alpha + \beta_1 FamilyFirm_{it} + \beta_2 CGDeterminant_{it,t-1} \\ & + \beta_3 FamilyFirm_{it} \times CGDeterminant_{it,t-1} + \beta_j Control_{jit,t-1} \\ & + Industry + Year + \varepsilon \end{aligned} \quad (1)$$

$$Board_{it} = \alpha + \beta_1 MarketFirm_{it} + \beta_2 CGDeterminant_{it.t-1} + \beta_3 MarketFirm_{it} \times CGDeterminant_{it,t-1} + \beta_j Control_{jit,t-1} + Industry + Year + \varepsilon \quad (2)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 FamilyFirm_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 FamilyFirm_{it} \times CGDeterminant_{it,t-1} + \beta_j Control_{jit,t-1} + Industry + Year + \varepsilon \quad (3)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 MarketFirm_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 MarketFirm_{it} \times CGDeterminant_{it,t-1} + \beta_j Control_{jit,t-1} + Industry + Year + \varepsilon \quad (4)$$

In models (1) and (2), the dependent variable $Board_{it}$ represents the structure of the board of directors in terms of board size ($BoardSize_{it}$) and board independence ($BoardIndependence_{it}$). In models (3) and (4), the dependent variable $ExecutiveComp_{it}$ represents the design of executive compensation in terms of total ($TotalComp_{it}$) and equity-based compensation ($EquityComp_{it}$).

Testing H1, I emphasise the contrast particularly between FLDFs and MLDFs regarding the moderation effect of the logic orientation of firms – familiness and marketness – on the relationship between CG determinants and configurations. To simplify the structure of data and results interpretation, I employ two different interaction models, separately capturing the firm logic orientations of familiness ($FamilyFirm_{it}$) and marketness ($MarketFirm_{it}$) against other logic orientations in models (1) and (3) and models (2) and (4), respectively.

That is, testing for the presence of a moderation effect of firm logic orientation in the multiple regression in terms of a statistically significant interaction term, I examine each of the logic orientations of firms separately and, as such, compare them indirectly. Unlike the empirical setting of analysis of the first chapter that emphasises the main effect of firm logic orientation on the firm choice of CG configurations by, namely looking at the intercepts of models, models (1-4) include interaction terms to address the difference in the effect; simple slope, of CG determinants on CG configurations as a function of firm type in terms of the logic-based group.

That is, apart from the main effect of firm logic orientation, I shed light on the moderation effect of firm logic orientations of familiness and marketness, expecting a different relationship between certain CG determinant and configuration as a function of the logic

orientation of firm. Specifically, in models (1-4), the moderators of familiness and marketness; indicator variables that equal 1 for the corresponding firm logic orientation, and 0 otherwise, are separately interacted with the focal variable proxying for the CG determinant of interest ($CGDeterminant_{it,t-1}$)[7] in an interaction term which is the main predictor of the corresponding CG configuration.

Specifically, the interaction term is the product of marketness or familiness indicator and the continuous variable of CG determinant, stressing the difference in CG determinant-configuration relationships among the logic-based groups of firms. In an interaction empirical setting, the CG determinant variable is mean-centred putting the observations of a variable into deviation observation form by simply subtracting the industry-year mean from all firms' observations of the variable (Holmbeck, 2002). According to the computation of interaction, the main effects are highly correlated with the interaction term, so mean-centring mitigates the potential problematic multicollinearity between the first-term predictors and any higher order interaction terms among them and facilitates testing the simple slopes (Aiken et al., 1991; Holmbeck, 1997; Holmbeck, 2002). Further, following the literature, the CG determinant variable is lagged one year, as appropriate, to mitigate the reverse effect of the corresponding CG configuration as an issue of potential endogeneity, assuming weakly exogenous variables.

Mainly, given the logic orientation of firms, I analyse the effect of a number of well-known CG determinants ($CGDeterminant_{it,t-1}$) on CG configurations in terms of the board of directors structure and executive compensation design, stemming from the range of control variables integrated in the analysis of the firm choice of CG configurations in the first empirical chapter. Regarding board size and independence in models (1) and (2), respectively, I primarily look at the effect of different aspects concerning (1) firm operations complexity, proxied by firm size, risk, growth opportunities and the capital structure of debt; and (2) monitoring and advising benefits, proxied by the potential private benefits of managers.

Concerning total and equity-based compensation in models (3) and (4), I mainly examine the effect of (1) the scope of firm business, proxied by firm size, age, risk, the capital structure of debt and growth opportunities; (2) the governance characteristics regarding the effectiveness of the board structure, proxied by board size and board independence; and (3) the managerial characteristics in terms of managerial entrenchment, proxied by CEO age, tenure and perceived

[7] Following the literature regarding the well-known models of the board of directors and executive compensation analysis, I use the current value (t) or lagged value ($t-1$) of the focal variable accordingly.

ability in terms of firm performance. As outlined above, regarding CG determinants, I employ different proximal measures widely used in the literature.

As introduced in the previous chapter, I add to the models a range of control variables ($Control_{jit,t-1}$) that have been addressed in the literature to impact the CG configurations of the board of directors and executive compensation, including firm-specific, managerial, ownership and governance characteristics. Mainly, the control variables represent the proximal measures of multiple structural constructs – CG drivers – other than the focal variable being tested. To reduce the concern of endogeneity relating to reverse causality, the lag value of variables is appropriately used following the literature. Using year and industry dummies, I also control respectively for the systematic time effects and industry fixed effects using Fama and French (1997) 30-industry classification to control for endogeneity concerns. All continuous variables are winsorized at the 1st and 99th percentiles to lower the effect of influential outliers. Throughout the regression analysis, the standard errors are robust, and the observations are clustered by firm's gvkey to control for serial correlation.

4.3.3.2 Post-hoc Probing of Significant Interaction

According to Holmbeck (2002), a statistically significant interaction indicates a significant moderation effect, that is, a given relationship between CG determinant and configuration is significantly different among the logic-based groups of firms denoted by the moderator or conditioning variable. Therefore, the CG determinant-configuration relationship is a function of or conditional by firm logic orientation, thereby, it significantly differs between the first and comparable logic-based groups of firms. However, as explained by Holmbeck (2002), the significance of interaction tells nothing about the significance of the individual simple slopes; singificant difference from zero, that respresent the relationship between CG determinant and configuration given the logic orientation of firms.

In other words, the initial significant moderation effect does not provide information on whether the CG determinant-configuration relationship is significant for the first logic-based group of firms, the comparable logic-based group of firms, both or none of the opposing logic-based groups of firms of the moderator or conditioning variable. Via the computation of simple slopes with statistical tests, the post-hoc probing analysis of significant moderation effects provides information on the specific conditions where a specific relationship significantly holds to prevent leading the scholars to false-positive results (Holmbeck, 2002). Therefore, using a simple slope test, I determine whether a given CG determinant-configuration relationship, initially observed to vary among the logic-based groups of firms of the moderator, is significant for one, both or none of of the opposing logic-based groups of firms.

Following Holmbeck (2002), to conduct a post-hoc probe of the significant moderation effects, I go through a sequential process. First, for each original moderator – familiness ($FamilyFirm_{it}$) and marketness ($MarketFirm_{it}$) – I create two new conditional moderator variables – $FamilyFirm\_Family_{it}$ and $FamilyFirm\_Other_{it}$, and $MarketFirm\_Market_{it}$ and $MarketFirm\_Other_{it}$, respectively – to run two separate post-hoc regressions. Specifically, as detailed below, one logic-based group of firms is assigned a value of 0 in one regression and the other logic-based group of firms is assigned a value of 0 in the other regression, upholding that one group is always higher than the other when running both regressions.

For the familiness moderator ($FamilyFirm_{it}$, 1 for FLDFs and 0 otherwise):

- $FamilyFirm\_Other_{it} = FamilyFirm_{it}$ (values are equivalent to the original moderator; 0 for other firms and 1 for FLDFs).
- $FamilyFirm\_Family_{it} = FamilyFirm_{it} - 1$ (values are -1 for other firms and 0 for FLDFs).

For the marketness moderator ($MarketFirm_{it}$, 1 for MLDFs and 0 otherwise):

- $MarketFirm\_Other_{it} = MarketFirm_{it}$ (values are equivalent to the original moderator; 0 for other firms and 1 for MLDFs).
- $MarketFirm\_Market_{it} = MarketFirm_{it} - 1$ (values are -1 for other firms and 0 for MLDFs).

Second, I compute new interactions incorporating each of the new conditional modertor variables above. Note that the continuous independent variables are mean-centred before conducting any regression analysis.

- For the familiness new conditional moderator variables, I compute below interactions:
  - $FamilyFirm\_Other_{it} \times CGDeterminant_{it,t-1}$
  - $FamilyFirm\_Family_{it} \times CGDeterminant_{it,t-1}$
- For the marketness new conditional moderator variables, I compute below interactions:
  - $MarketFirm\_Other_{it} \times CGDeterminant_{it,t-1}$
  - $MarketFirm\_Market_{it} \times CGDeterminant_{it,t-1}$

Third, using the above new conditional moderator variables and interactions, I run two post-hoc regressions, one for each of the two new conditional moderator variables of familiness and marketness, to test the significance of the simple slope for each category – the logic-based group of firms – of the original moderators. Specifically, running the post-hoc regressions, I generate the individual simple slopes, representing the relationship between CG determinant and configuration, for the (1) FLDFs category, (2) other firms category of hybrid firms and MLDFs, (3) MLDFs category and (4) other firms category of hybrid firms and FLDFs. Basically, stemming from models (1) through (4), in each post-hoc regression model, I enter

simultaneously the main effect of CG determinant variable, one new conditional moderator variable and the interaction among them, controlling for the year and industry fixed effects, as shown in models (1.1) through (4.2).

This, in turn, generates logic-based group-specific regression models. Holmbeck (2002) further explains that substitsuting a value of 0 for the new conditional moderator variable in each regression model, for both main effect and interaction term, keeps only the coeffiecient of the predictor variable of concern, namely the CG determinant variable, and the intercept of regression model. Interestingly, plugging in a value of 0, the coefficient on CG determinant variable is the simple slope of the regression line representing the relationship – I test for its significance – between the CG determinant and configuration for a signle category, which is a logic-based group(s) of firms, of the original moderatorfor which the value is 0 and is, as such, represented by an individual post-hoc regression model in the following form (Holmbeck, 2002).

$$Board_{it} = \alpha + \beta_1 FamilyFirm\_Family_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 FamilyFirm\_Family_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (1.1)$$

$$Board_{it} = \alpha + \beta_1 FamilyFirm\_Other_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 FamilyFirm\_Other_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (1.2)$$

$$Board_{it} = \alpha + \beta_1 MarketFirm\_Market_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 MarketFirm\_Market_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (2.1)$$

$$Board_{it} = \alpha + \beta_1 MarketFirm\_Other_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 MarketFirm\_Other_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (2.2)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 FamilyFirm\_Family_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 FamilyFirm\_Family_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (3.1)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 FamilyFirm\_Other_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 FamilyFirm\_Other_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (3.2)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 MarketFirm\_Market_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 MarketFirm\_Market_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (4.1)$$

$$ExecutiveComp_{it} = \alpha + \beta_1 MarketFirm\_Other_{it} + \beta_2 CGDeterminant_{it,t-1} + \beta_3 MarketFirm\_Other_{it} \times CGDeterminant_{it,t-1} + Industry + Year + \varepsilon \quad (4.2)$$

4.4 Empirical Results & Discussion

4.4.1 Main Analysis: Multivariate & Post-hoc Regressions

4.4.1.1 The Board of Directors

Regarding the CG configuration of the board of directors, several individual empirical tests are performed in an interaction empirical setting emphasising the effect of different structural constructs known to affect the structure of the board of directors, given the logic orientation of firms. Multiple proxies are used namely for the firm operations complexity and monitoring and advising benefits as determinants of the board of directors structure. Emphasising board size and independence, a statistically significant interaction[8] is found between the logic orientation of firms – familiness and marketness – and both firm operation complexity; proxied by the capital structure of debt, growth opportunities and firm risk, and monitoring and advising benefits; proxied by the potential private benefits of managers, *ceteris paribus*. The results are shown in Tables 4.1 and 4.2 on board size and Tables 4.11 and 4.12 on board independence.

The significant interaction implies that the relationship between both board size and independence and such determinants varies significantly as a function of the firm type in terms of the logic-based group, suggesting a moderation effect of firm logic orientation that partly

[8] Regarding insignificant interaction terms, using other proxies of tested structural constructs, they lack statistical power to provide evidence of the difference in CG determinant-configuration relationships concerning the structure of the board of directors as a function of firm logic orientation.

confirms the hypothesis in terms of the difference among firms. Further, Tables 4.3 and 4.4 on board size and Tables 4.13 and 4.14 on board independence report the results of the post-hoc probing of the significant moderation effects of familiness and marketness regarding the significance and magnitude of the individual simple slopes representing the relationship of concern, given the firm type in terms of the logic-based group. The positive coefficients on debt and growth opportunities indicate a positive relationship between both board size and independence and firm operation complexity, where board size and independence increase as the complexity of firm operations grows.

Stressing the demands and challenges imposed by complex firm operations, the directors on the board present an important source in terms of providing the firm with valuable information, skills and access to resources – both financial and human capital – that help managers run the business efficiently. This improves the advising role of the board. Outside directors, in particular, play an essential role in relation to effectively and closely monitoring top management encountering firm operations complexity, thereby controlling and disciplining managerial behaviour and performance. Taking advantage of larger and more independent boards, the collective minds, knowledge, skills, senses and expertise possessed by and the shared efforts of the directors on the board help monitor and advise top managers who cope with complex firm operations.

Supporting the hypothesis, it is found that the positive relationship between board size and growth opportunities is mitigated in FLDFs (17.1%) relative to other firms (30.5%), significant at the 10% and 1% significance levels, respectively. In consistency, compared with other firms (18.2%), this positive relationship is more pronounced in MLDFs (50.5%), at the significance levels of 5% and 0.1%, respectively. Similarly, the results show a less pronounced positive relationship between board size and debt in FLDFs (2.573) relative to other firms (3.065), significant at a 0.1% significance level. Supporting this, such a positive relationship is amplified in MLDFs (2.918) compared with other firms (2.432), at the significance levels of 0.1% and 1%, respectively.

Consistent with the hypothesis, it is also found that the positive relationship between board independence and growth opportunities is lessened in FLDFs (0.0114) relative to other firms (0.0154), significant at the 5% and 1% significance levels, respectively. Supporting this, compared with other firms (0.0267), such a positive relationship is amplified in MLDFs (0.0423), at a significance level of 0.1%. Likewise, the results show a less pronounced positive relationship between board independence and debt in FLDFs (0.112) relative to other firms (0.137), significant at a 0.1% significance level. In consistency, this positive relationship is

more pronounced in MLDFs (0.118) compared with other firms (0.0923), at the significance levels of 0.1% and 5%, respectively.

For firm risk, the negative coefficients suggest a negative, rather than positive, relationship with both board size and independence. As Boone et al. (2007) state, in line with the complexity of firm operations, firm risk implies more volatility and uncertainty of firm performance. This imposes the potential difficulty, ambiguity and inefficiency that the board directors cope with, especially on the part of independent or outside directors. Particularly, this challenges and restrains the board concerning observing, assessing and disciplining managerial behaviour and performance. This suggests a costly monitoring and advising of the board regarding the cost of appointing a new board director, which offsets monitoring and advising benefits. Apart from firm operations complexity, here, firm risk indicates the monitoring and advising costs that adversely affect both board size and independence due to the dysfunction of the respective controlling role of the board of directors regarding its monitoring and advising functions.

Interestingly, it is found that the negative relationship between board size and firm risk is less pronounced in FLDFs (−8) compared with other firms (−11.81), significant at a 0.1% significance level. Supporting this, this negative relationship is more pronounced in MLDFs (−12.62) relative to other firms (−9.081), at a significance level of 0.1%. Similarly, compared with other firms (−0.321), the negative relationship between board independence and firm risk is mitigated in FLDFs (−0.165), significant at the 0.1% and 5% significance levels, respectively. In consistency, such a negative relationship is amplified in MLDFs (−0.303) relative to other firms (−0.247), at the significance levels of 1% and 0.1%, respectively.

The coefficients on free cashflows indicate a positive (negative) relationship between board independence (board size) and monitoring and advising benefits. As monitoring and advising benefits increase in terms of greater potential private benefits of managers, the necessity of independent boards raises, where board independence increases as managers' private benefits raise as outside directors are perceived more effective and objective in delivering the monitoring role of the board over top management. However, despite more skills, knowledge and oversight in terms of the minds and senses of directors appointed in larger boards, which serve to monitor and control top managers regarding the potential managerial opportunism related to expropriating private benefits, the results indicate that boards decrease in size as the potential private benefits of managers increase. This is likely because of the potential free-rider problem, which may hinder the effectiveness of the monitoring and advising functions of the board.

Consistent with the hypothesis, it is found that the positive relationship between board independence and free cashflows is less pronounced in FLDFs (0.0379) compared with other firms (0.0516), significant at a 5% significance level. Supporting this, such a positive relationship is more pronounced in MLDFs (0.0534) relative to other firms (0.0431), at the significance levels of 5% and 10%, respectively. Further, interestingly, it is also found that the negative relationship between board size and free cashflows is lessened in FLDFs (−2.848) relative to other firms (−3.188), significant at a 0.1% significance level. In consistency, this negative relationship is amplified in MLDFs (−3.135) compared with other firms (−2.776), at the significance levels of 0.1% and 1%, respectively.

The above results are consistent with hypothesis H1, which predicts that the familiness of firms will reduce the positive effect of CG determinants, including firm-specific and managerial characteristics, on CG configurations in terms of the structure of the board of directors compared with the marketness logic orientation. Likewise, emphasising the negative effect of firm risk on both board size and independence and the negative effect of free cashflows on board size, the results point to another, surprising finding that the negative CG determinant-configuration relationships are mitigated in FLDFs relative to MLDFs.

4.4.1.2 Executive Compensation

Concerning the CG configuration of executive compensation, several individual empirical tests are performed in an interaction empirical setting stressing the effect of different structural constructs known to affect the design of executive compensation, given the logic orientation of firms. Multiple proxies are used namely for the scope of firm business, governance and managerial characteristics as determinants of executive compensation design. Emphasising total compensation, a statistically significant interaction[9] is found between the logic orientation of firms – familiness and marketness – and both firm business scope; proxied by firm age, the capital structure of debt and growth opportunities, and managerial entrenchment; proxied by CEO age and perceived ability in terms of firm performance, *ceteris paribus*. Similarly, regarding equity-based compensation, a statistically significant interaction is also found between the logic orientation of firms – familiness and marketness – and both firm business scope and the effectiveness of the board of directors in terms of board independence, *ceteris paribus*. The findings are reported in Tables 4.21 and 4.22 on total compensation and Tables 4.31 and 4.32 on equity-based compensation.

[9] Regarding insignificant interaction terms, using other proxies of tested structural constructs, they lack statistical power to provide evidence of the difference in CG determinant-configuration relationships in terms of the design of executive compensation as a function of firm logic orientation.

The significant interaction implies that the relationship between both total and equity-based compensation and such determinants varies significantly as a function of the firm type in terms of the logic-based group, indicating a moderation effect of firm logic orientation that partly supports the hypothesis in terms of the discrepancy among firms. Moreover, Tables 4.23 and 4.24 on total compensation show the findings of the post-hoc probing of the significant moderation effects of familiness and marketness regarding the significance and magnitude of the individual simple slopes representing the relationship of concern, given the firm type in terms of the logic-based group.

The positive coefficients on firm age, debt and growth opportunities indicate a positive relationship between total compensation and the scope of firm business, where managers' total compensation increases as the firm business scope becomes wider and more complex, motivating, attracting and maintaining qualified managers in a competitive context of managerial labour market. In addition, the positive coefficients on CEO age and firm performance suggest that total compensation and managerial entrenchment are positively related, where managers exercise power and influence to obtain high total compensation, perhaps in excess of optimal executive compensation.

Consistent with the hypothesis, it is found that the positive relationship between total compensation and firm age is less pronounced in FLDFs (0.323) relative to other firms (0.387), significant at a 0.1% significance level. Supporting this, compared with other firms (0.339), such a positive relationship is more pronounced in MLDFs (0.447), at a significance level of 0.1%. Similarly, the results show that the positive relationship between total compensation and debt is mitigated in FLDFs (1.110) relative to other firms (1.503), significant at a 0.1% significance level. In consistency, compared with other firms (1.205), this positive relationship is amplified in MLDFs (1.760), at a significance level of 0.1%.

Likewise, the results show a less pronounced positive relationship between total compensation and growth opportunities in FLDFs (0.173) relative to other firms (0.356), at a significance level of 0.1%. Supporting this, such a positive relationship is more pronounced in MLDFs (0.518) compared with other firms (0.215), significant at a 0.1% significance level. Moreover, it is also found that the positive relationship between total compensation and CEO age is lessened in FLDFs (0.00568) relative to other firms (0.00778), at a significance level of 10%. In consistency, compared with other firms (0.00680), this positive relationship is amplified in MLDFs (0.00751), at a significance level of 10%. Similarly, the results show that the positive relationship between total compensation and both firm market- and stock-based performance is mitigated in FLDFs (0.0635, 2.442) relative to other firms (0.0870, 2.580), significant at the 5%, 1% and 0.1% significance levels. Supporting this, such a positive

relationship is more pronounced in MLDFs (0.197, 4.394) compared with other firms (0.171, 2.035), at a significance level of 0.1%.

Further, Tables 4.33 and 4.34 on equity-based compensation report the findings of the post-hoc probing of the significant moderation effects of familiness and marketness concerning the significance and magnitude of the individual simple slopes representing the relationship of concern, given the firm type in terms of the logic-based group. Likewise, the positive coefficients on firm age, debt and growth opportunities indicate a positive relationship between equity-based compensation and the scope of firm business, where the equity-based compensation of managers increases as the firm business scope becomes wider and more complex, linking managerial performance and pay to motivate, control and discipline managers. In addition, the positive coefficient on board independence suggests that equity-based compensation and the board effectiveness regarding the structure of the board of directors are positively related, where outside directors effectively and closely control and discipline managers by coupling managerial performance and pay in terms of extensively using stock and option awards.

Consistent with the hypothesis, it is found that the positive relationship between equity-based compensation and firm age is less pronounced in FLDFs (0.288) relative to other firms (0.559), significant at the 5% and 0.1% significance levels, respectively. In consistency, compared with other firms (0.408), this positive relationship is more pronounced in MLDFs (0.602), at a significance level of 0.1%. Similarly, the results show a lessened positive relationship between equity-based compensation and growth opportunities in FLDFs (0.291) relative to other firms (0.623), at the significance levels of 5% and 0.1%, respectively. Supporting this, such a positive relationship is amplified in MLDFs (0.817) compared with other firms (0.394), significant at a 0.1% significance level.

Moreover, it is also found that the relationship between equity-based compensation and debt is mitigated in FLDFs (1.872) relative to other firms (2.424), significant at a 0.1% significance level. In consistency, compared with other firms (2.039), this positive relationship is amplified in MLDFs (2.611), at a significance level of 0.1%. Likewise, the results show that the positive relationship between equity-based compensation and board independence is less pronounced in FLDFs (4.726) relative to other firms (5.238), at a significance level of 0.1%. Supporting this, compared with other firms (4.941), such a positive relationship is more pronounced in MLDFs (5.001), significant at a 0.1% significance level. The above findings support hypothesis H1, which expects that the familiness of firms will lessen the positive effect of CG determinants, including firm-specific, managerial and governance characteristics, on CG

configurations in terms of the design of executive compensation relative to the marketness logic orientation.

4.4.1.3 Discussion

In the main regression analysis, I contrast FLDFs with MLDFs regarding the CG determinant-configuration relationships concerning the structure of the board of directors and executive compensation design. I stress the moderation effect of firm logic orientation, which may be familiness or marketness. Overall, the findings show differences among the logic-based groups of firms regarding the relationship between established CG determinants, such as firm-specific, managerial and governance characteristics, and CG configurations in terms of board size, board independence and the measures of executive compensation, specifically total and equity-based compensation. Generally, they point to that FLDFs implement distinct, idiosyncratic governance practices, departing from the prevailing shareholder-oriented governance system; this is consistent with the SEW preservation perspective.

The analysis of the board of directors and executive compensation suggests stimulating results, emphasising the institutional-based classification of firms. Overall, the findings provide empirical evidence of the effect of the logic orientation of firms – familiness and marketness – on the CG determinant-configuration relationships; this is the moderating role of firm logic orientation. The results show a significant difference between FLDFs and MLDFs regarding the effect of firm-specific, managerial and governance characteristics on board size and independence, as well as total and equity-based compensation. The findings suggest that, compared with the marketness logic orientation, the familiness of firms mitigates the positive, as well as negative, effect of CG determinants on CG configurations, in line with the perspective of substitution effect in the CG context (Gnan et al., 2015; van Aaken et al., 2017).

Emphasising the perspective of SEW, FLDF managers prioritise the preservation of the non-economic utilities, including authority and power, job security and protection, prestige and social ties, derived from the firm, and as such, make distinct strategic choices and managerial decisions compared with MLDFs. Accordingly, given their undiversified financial wealth in contrast to shareholders, the managers of FLDFs are more likely to encounter a dual threat imposed by poor financial performance since both their financial wealth and SEW tightly attach to their career positions (Berrone et al., 2012). In other words, emphasising their dual utilities linked to the firm, FLDF managers confront both financial and SEW-related risks in relation to financial hardship and SEW loss, given the competitiveness of managerial labour market and the threat of takeover market.

Moreover, according to Fitz-Koch and Nordqvist (2017) and Kabbach de Castro et al. (2016), the joint outcomes of financial and SEW-related objectives imply an interdependence of firm's financial status and SEW. Specifically, as Miller and Le Breton-Miller (2014) assert, while they are commonly perceived to contradict each other, SEW-related goals can be mixed with the financial goals of firms and both achieved at the same time, where both contribute to each other as mutual objectives. Therefore, in the name of preserving their non-economic benefits attached to the firms, the managers of FLDFs need to make an effective effort to run the business, actively engage with firm stakeholders and ultimately improve the firm competitiveness and survival (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012). As such, the fulfilment of the non-economic objectives of key firm actors contributes to the financial performance, and in turn, financial standing of firms and vice versa.

Thus, building on the dual threat that FLDF managers confront due to the their undiversified financial wealth, as well as the interdependence of firm's financial status and SEW, the managers of FLDFs have a substantial incentive to act efficiently and not opportunistically, actively safeguarding the firm financially, and in turn, preserving both the economic and non-economic benefits derived from the firm. That is, given the concern for SEW preservation, FLDF managers are self-incentivised to voluntarily serve as self-monitored stewards of the business, maintaining business success and continuity to achieve a win-win objective of shareholders and managers.

Building on the SEW preservation perspective, this implies that the self-motivation of FLDF managers regarding their stewardship limits the potential managerial opportunism, where the loss aversion of current SEW outweighs the chase of future gains. Accordingly, stressing the priority of preserving the affective endowments derived from the firm, it can be stated that SEW has a substitution effect for the respective controlling roles of internal CG configurations in FLDFs compared with MLDFs. In other words, the concern for SEW preservation diminishes the need for and necessity of the board of directors and executive compensation in relation to controlling and discipling managerial behaviour and performance. That is, SEW itself serves a governance, disciplinary role in FLDFs.

Particularly, following van Aaken et al. (2017), the priority of SEW preservation enacts the self-governance of FLDF managers, protecting or expanding the non-economic utilities linked to the firm in alignment with the fulfilment of the financial objectives of firms. This suggests a self-control of the managers of FLDFs related to a set of self-imposed rules that restrict their opportunistic behaviour to mitigate a total loss of SEW. Otherwise, FLDF managers would presumably behave opportunistically, which is at odds with shareholders' best

interests, harming the long-term interests and survival of the business, and in turn, exposing their SEW to risk.

Emphasising the substitution effect of SEW, it can be said that the concern for preserving the non-economic benefits that FLDF managers derive from the firm has the effect of limiting, first, the necessity of large and independent boards to monitor and advise managers on behalf of shareholders, and second, the need for high total and equity-based compensation to motivate, control and discipline managers. In other words, the priority of SEW preservation leaves a little room for internal CG configurations in FLDFs.

Particularly, the importance of the board of directors and executive compensation regarding their respective controlling roles of monitoring and advising, as well as managerial motivation and the alignment of interests, respectively, is mitigated in FLDFs, relative to MDLFs, where the SEW preservation is a priority. As such, the positive relationship between well-known CG determinants and configurations appear to be less pronounced in FLDFs compared with MLDFs. In other words, given the stewardship and self-governance of FLDF managers that the concern for preserving SEW enacts, FLDFs show to less likely expand board size and independence and increase total and equity-based compensation in response to CG determinants relative to MLDFs, limiting the positive CG determinant-configuration relationships.

SEW underlies the difference between and classification of FLDFs and MLDFs, highlighting a unique and influential identity of FLDFs relating to SEW-related interests and priorities. Kodeih and Greenwood (2014) point out that firm identity indicates what a firm is and what it wishes to become, influencing the perceptions of firm opportunities, and thus, firm responses to demands and expectations. Similarly, Albert and Whetten (2004) and Scott and Lane (2000) note that firm practices and behaviour manifest firm identity in compliance with the concerns, goals, interests and priorities of firms, where firm identity interprets and gives meaning to firm behaviour (Ravasi and Schultz, 2006).

Accordingly, emphasising SEW as the most prominent aspect of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), firm identity makes sense of the different firm practices and decisions between FLDFs and MLDFs that are shareholder-oriented. Following Aguilera et al. (2018), the identity of FLDFs helps them derive CG discretion over the setup of firm governance, resisting the demands and standards of CG imposed by the prevailing shareholder-oriented governance practices that conflict with SEW-related interests and goals. Specifically, stressing the SEW preservation perspective, the stronger identity of FLDFs implies more conditions versus, and as such, resistance to such CG expectations and pressures (Greenwood et

al., 2011). Consistent with the perspective of CG deviance (Aguilera et al., 2018), this results in the deviant, idiosyncratic governance practices of FLDFs as opposed to MLDFs, which more likely abide by the dominant shareholder-oriented governance system, building on the firm theory and market discipline perspectives.

Accordingly, drawing on the organisational filter perspective (Greenwood et al., 2011), it can be stated that the identity of FLDFs acts as an organisational filter that explains how and why FLDFs behave differently, filtering the demands and pressures that they encounter in compliance with their interests and goals relating to preserving the non-economic utilities of firm's key actors. Particularly, building on the perspective of SEW preservation, FLDFs apply an organisational filter of firm identity between CG determinants and configurations of the board of directors and executive compensation in accordance with the priority of preserving SEW. Therefore, FLDFs' identity filters the CG pressures and expectations enforced by the prevailing governance practices that contradict the concern for SEW preservation.

That is, in the name of protecting the non-economic utilities attached to the firm, such as authority and power, social ties, prestige and reputation and job security and protection, it can be said that FLDFs respond differently to CG determinants concerning CG configurations, aligning CG practices with SEW-related interests and priorities, avoiding undertaking CG practices that threaten SEW. Specifically, FLDFs restrict the CG determinant-configuration relationships, applying an organisational filter of the CG pressures and demands imposed by the dominant shareholder-oriented governance practices. Accordingly, the positive effect of well-known CG determinants on CG configurations shows to be mitigated in FLDFs relative to MLDFs. In other words, given their distinct, potent identity, FLDFs appear to less likely enlarge board size and board independence and raise total and equity-based compensation in response to CG determinants compared with MLDFs, in the name of protecting SEW.

Moreover, given the lessened positive CG determinant-configuration relationships in FLDFs in comparison with MLDFs, it can be stated that FLDFs adopt decoupling response strategy (Boxenbaum and Jonsson, 2008; Greenwood et al., 2011; Bromley and Powell, 2012), responding differently to CG determinants concerning CG configurations. FLDFs adopt the response strategy of decoupling to the pressures and demands of CG enforced by the prevailing governance practices when these contradict their interests and challenge their priorities regarding the SEW preservation. Therefore, by decoupling, FLDFs implement CG practices that are best aligned with SEW-related goals and concerns, whereas, drawing on the firm theory and market discipline perspectives, MLDFs more likely obey the dominant shareholder-oriented governance system.

Following Greenwood et al. (2011), it can be said that FLDFs decouple by undertaking CG practices that best fit their goals, interests and concerns that collectively reflect their unique, potent identity, consistent with the perspective of organisational filter enacted by firm identity. Therefore, emphasising the CG determinant-configuration relationships, FLDFs keep their operational structures separate and distinct from the normative structures (Tilcsik, 2010; Bromley and Powell, 2012). In other words, by adopting decoupling response strategy, FLDFs do not undertake the prevailing governance practices at their operational level; instead, as Mair et al. (2015) explain, they comply with the minimum standards for legitimacy-seeking purposes, creating a distinction or separation between the implemented and standard or dominant governance systems.

Particularly, stemming from the concern for SEW preservation, it can be stated that FLDFs insulate themselves from the pressures and demands of CG imposed by the prevailing shareholder-oriented governance system, decoupling CG configurations from their determinants. That is, by decoupling, FLDFs restrain the relationship between CG determinants and configurations, refraining implementing CG practices that expose SEW to risk. Thus, in line with the perspective of CG deviance (Aguilera et al., 2018), the governance practices of FLDFs depart from the dominant shareholder-oriented governance system to protect or expand the non-economic benefits of key firm actors, including authority, control and power, prestige and reputation, job security and protection and social ties and business networks, attached to the firm. Therefore, the familiness of firms appears to reduce the positive effect of established CG determinants on CG configurations. Particularly, stressing the response strategy of decoupling, FLDFs show to less likely expand board size and independence and increase total and equity-based compensation in response to CG determinants relative to MLDFs, in the name of protecting SEW.

As mentioned above, unlike MLDFs, FLDFs appear to deviate from the prevailing governance practices that are shareholder-oriented in the US context in terms of having smaller and less independent boards – empirically proven in Chapter 3. Given the importance of the board of directors as the core of CG (Jensen and Meckling, 1976; Fama and Jensen, 1983; Eisenhardt, 1989), this potentially indicates under-governed firms to firm stakeholders who fear the potential agency problems in relation to the ineffectiveness of the board structure of FLDFs (Gomez-Mejia et al., 2011a).

From a CG perspective, Zona and Gomez-Mejia (2011) assert that this imposes additional weight on the board of directors regarding firm governance quality. As such, stemming from the rationale of endorsing the quality of firm governance in the eyes of firm stakeholders, it can be stated that FLDFs tend to maintain the structure of the board concerning board size and

independence more steadily and unwaveringly. In doing this, FLDFs perhaps mitigate firm stakeholders' fears in relation to the questioned quality of the structure of the board of directors. From a SEW perspective, the board of directors provides the managers of FLDFs with expertise and skills, as well as access to resources including human capital in the form of social ties and business networks (Hillman and Dalziel, 2003). Drawing on the SEW preservation perspective, such human capital presents a non-economic benefit closely attached to the firm, which FLDF managers highly value and strive to maintain or extend. Therefore, emphasising the priority of SEW, it can be said that the boards of FLDFs are maintained more consistently regarding board size and independence in terms of sustaining the board directors. As such, the managers of FLDFs perhaps more effectively can protect their affective endowments, such as authority and control and social ties, through maintaining the board of directors that they are familiar with and advocate.

Therefore, it can be stated that FLDFs have strong motives to less dramatically sway the board directors – both insiders and outsiders – out of the board in response to CG determinants, where FLDFs have more stable boards in terms of upholding rather than unwavering board directors compared with MLDFs. Thus, the negative effect of CG determinants on board size and independence appears to be less pronounced in FLDFs relative to MLDFs. Consistent with the perspectives of organisational filter and decoupling response strategy, this sheds light on another, surprising conclusion that the familiness of firms lessens the negative relationship between CG determinants and configurations, namely the structure of the board of directors.

In essence, FLDFs apply organisational filter and adopt decoupling response strategy, concerning such negative CG determinant-configuration relationships, in the name of assuring firm governance quality regarding the effectiveness of the board structure, as well as preserving the non-economic utilities of key firm actors that the board of directors permits or facilitates, limiting the relationship between CG determinants and configurations. In other words, FLDFs respond distinctly to CG determinants regarding CG configurations, in terms of the structure of the board of directors, in compliance with the concern for endorsing the effectiveness of the board structure and preserving the SEW derived from the firm, specifically the board. Particularly, given their distinct, influential identity and emphasising the response strategy of decoupling, FLDFs show to less likely decrease board size and independence in response to CG determinants relative to MLDFs.

Stressing the institutional-based classification of firms, the results provide interesting empirical findings on the discrepancy between FLDFs and MLDFs regarding the CG determinant-configuration relationships. The empirical evidence of the moderating role of firm logic orientation – familiness and marketness – gives a new institutional-based explanation for

the difference in CG observed among firms. Moreover, witnessed by the moderation effect of firm logic orientation, the results reveal different types of firms in terms of the logic-based groups, which are associated with distinct CG practices. Importantly, emphasising the logic orientation of firms, the difference between FLDFs and MLDFs in the relationship between CG determinants and configurations presents empirical evidence of the role of ILs in shaping firm practices and behaviour (Greenwood et al., 2010). This advocates the operationalisation of both family and market logics regarding the embeddedness of ILs in firm decision making, as well as the institutional-based classification of firms in this study.

4.4.2 Robustness Checks

In this study, different robustness checks are run to test the presence of interaction between firm logic orientation and multiple proxies for a variety of CG determinants of the board of directors structure and executive compensation design, accounting for econometric and endogeneity concerns. The results of the preliminary regression analyses of the board of directors and executive compensation regarding the significant interaction terms are robust using random-effects estimation and dynamic estimation – accounting for endogeneity[10] – robustness checks. These checks primarily stress the influence of firm random effects and the previous idiosyncratic trends of firms relating to CG configurations that could normally affect the setup of firm governance. However, the significance of some interaction terms' coefficients changes slightly downward. Tables 4.5–4.8, 4.15–4.18, 4.25–4.28 and 4.35–4.38 report the results on board size, board independence, total and equity-based compensation, respectively.

As an additional robustness check, I use a reduced sample that restricts the comparison to FLDFs and MLDFs, excluding hybrid firms as a neutral logic-based group that overlaps familiness and marketness concerning the observed firm practices. Unlike in the main regression analysis, a single moderator is applied to directly contrast FLDFs (=1) with MLDFs (=0) regarding the moderation effect of firm logic orientation – familiness and marketness – on the relationship between CG determinants and configurations. As shown in Tables 4.9, 4.19, 4.29 and 4.39 on board size, board independence, total and equity-based compensation, respectively, the results of the main regression analyses are robust regarding the presence of interaction, endorsing that the relationship between CG determinants and configurations of the

[10] To mitigate the endogeneity concerns, both the year and industry fixed effects are also included in all the models, controlling for the time and industry trends of CG.

board of directors and executive compensation varies as a function of the logic orientation of firms. However, some power of the interaction terms is lost.

The results of the post-hoc probing of the significant interaction concerning board size, board independence, total and equity-based compensation, respectively reported in Tables 4.10, 4.20, 4.30 and 4.40, do not change the conclusions about the significance and magnitude of the effect of CG determinants on CG configurations, given the firm type in terms of the logic-based group. However, the significance of some main independent variables' coefficients changes slightly downward. Specifically, highlighting the moderating role of firm logic orientation, the results show that the positive effect of well-known CG determinants, including firm-specific, managerial and governance characteristics, on the structure of the board of directors and executive compensation design is less pronounced in FLDFs relative to MLDFs. Further, the negative relationship between specific CG determinants and configurations in terms of board size and independence is mitigated in FLDFs compared with MLDFs.

4.4.3 Post-hoc Test

Going a step further, the ownership-based classification of firms is applied to group the sample firms. Under the same empirical setting, an indicator of family ownership status is used instead of the institutional-based classification that emphasises firm logic orientation. Using family ownership data from Ron Anderson's sample available online, I use a single moderator that flags the sample firms as family (=1) and non-family (=0) firms. As Tables 4.41–4.44 report, unlike the main regression analyses, the regression analyses incorporating the ownership-based classification of firms do not produce pronounced results on the moderation effect of family ownership status on the relationship between established CG determinants and configurations of the board of directors and executive compensation in terms of board size, board independence, total and equity-based compensation.

Except for a few proxies[11], the interactions by family ownership status are generally insignificant, implying no interaction between firm type in terms of the family ownership status of firms and the CG determinants of concern. Thus, unlike the results of the preliminary regression analyses, the results show unconditional CG determinant-configuration relationships among firms – family and non-family. Importantly, the findings suggest that the institutional-based classification of firms captures the interaction regarding such CG determinant-configuration relationships more effectively relative to the ownership-based classification. This

[11] The interaction of family ownership status and the variables of growth opportunities, debt, firm age and market-based performance and board independence in regressions of board size, board independence, total and equity-based compensation, respectively, is significant at a 10% significance level.

gives an insight into why and how firms vary in terms of the internal CG configuration, applying a different view of the familiness and marketness of firms.

It should be reiterated that the findings of the preliminary regression analyses in the first empirical chapter – Chapter 3 – are found to be consistent and robust when applying the ownership-based classification of firms regarding the main effect of family ownership status on the firm choice of internal CG configurations. In contrast, here, I find inconsistency of the results concerning the moderation effect of family ownership status on the CG determinant–configuration relationships, which is perhaps not surprising. Fundamentally, this is because, in the previous chapter, I emphasise a more simplistic empirical setting concerning the difference among firms regarding the firm choice of internal CG configurations, given the firm type in terms of the logic-based group. Emphasising ILs as covert drivers of firm behaviour, I mainly portray FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence; thereby, I expect similarities and commonalities between FLDFs (MLDFs) and family (non-family) firms. In essence, embedding family (market) logic in firm decision making, FLDFs and MLDFs display family and non-family firm-like behaviours, respectively, as tangible manifestation of family and market logics, drawing on the SEW preservation perspective.

Therefore, in the previous chapter, the robust findings indicate that the traditional ownership-based classification emphasising family ownership status does capture some of those parallels and similarities regarding CG configurations. Interestingly, this validates the notion of the logic orientation of firms, namely familiness and marketness, that defines and depicts the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics, matching FLDFs and MLDFs with family and non-family firms, respectively, in terms of depicting and differentiating between family and non-family firm-like behaviours. The fundamental claim of the study is that, overlooking firm behaviour, ownership status (family or not) alone is an insufficient indicator to identify and classify firms. Instead, the familiness and marketness constructs are conceptually superior to view and determine the type of firms regarding their familiness or non-familiness, also referred to as marketness, on the basis of real firm practices and decisions. Therefore, stemming from perspective of ILs, the notion of firm logic orientation is proposed to underlie the distinction among firms beyond the ownership criteria.

Whereas, in this chapter, I emphasise a more perceptive and in-depth articulation of firm character – the logic orientation of firms – in firm behaviour. According to the results, it is clear that the ownership-based classification of firms fails to capture the moderation effect of firm type when an interaction empirical setting is applied that stresses the effect of CG determinants,

or drivers, on CG configurations. Relative to the conventional split of family and non-family firms, which basically ignores the importance of firm behaviour, the institutional-based classification emphasising the logic orientation of firms allows the interactions to be more significant. This proves the superiority of firm logic orientation, namely the familiness and marketness constructs, over ownership status (family or not) to identify and classify firms, given the success of the institutional-based classification related to the empirical evidence of both the main and moderation effects of firm type – firm logic orientation – in the CG context.

Particularly, besides capturing the association between firm logic orientation and CG regarding the firm choice of internal CG configurations, the institutional-based classification of firms is empirically proven to be theoretically and conceptually superior in detecting the moderating role of firm logic orientation concerning the relationship between established CG determinants and configurations. This primarily validates and supports the institutional-based approach regarding the identification of and distinction among firms, compared with the traditional ownership-based classification – in relation to the different view of the familiness and marketness of firms, where firm practices and behaviour, rather than family ownership status (or not), characterise and define firms in terms of their different culture and nature.

Further, the institutional-based classification has the advantage of simplicity, speed and elegance over the conventional ownership-based classification of firms. The traditional classification of family and non-family firms requires time and effort spent browsing firms' proxy statements and annual reports to find out about ownership status (family or not). In contrast, the institutional-based classification of firms is an accounting-based process that emphasises real firm practices and decisions. Specifically, it incorporates multiple behavioural dimensions measured using easily accessible financial data available on various databases, drawing mainly on the extant family business research.

4.5 Conclusion

CG configurations display an area of difference among firms that has been largely addressed and investigated. However, no attention has been paid to the role of ILs, as latent drivers of firm behaviour (Friedland and Alford, 1991), in shaping firm governance practices. ILs provide the prescriptions and means of appropriate behaviour, underlying the culture and nature of firms, and in turn, shape their practices and decisions (Thornton and Ocasio, 2008; Greenwood et al., 2011). The core of this study lies in the application of ILs perspective to the concept of distinction among firms, stressing the CG context concerning whether the CG determinant-configuration relationships differ among the logic-based groups of firms. In this study, I emphasised the institutional-based classification of firms – FLDFs and MLDFs – apart

from ownership status (family or not), addressing the logic orientation of firms – both familiness and marketness – that depicts and defines the firm type in terms of the logic-based group relating to the embeddedness of family and market logics by which a firm is driven.

Drawing on the SEW preservation perspective, in this study, I portrayed FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence. Primarily, I depicted MLDFs as shareholder-oriented firms that prioritise the primary economic business objective of profitability and shareholders' wealth maximisation, exhibiting an archetypal business setting. In contrast, presenting a different business setting, FLDFs display a family-oriented attitude and preference in terms of prioritising the preservation of SEW attached to the firm, overlapping the family and business systems. In doing so, this study differentiates itself from the the extant family-oriented studies that have commonly emphsised the ownership criteria in terms of ownership status (family or not), which is believed to disregard the importance of firm behaviour.

In this study, I provided empirical evidence that ILs give a viable explanation for the discrepancy in CG among firms by examining the moderating role of firm logic orientation in configuring the CG of firms. This study has an important implication for detecting the contrast between FLDFs and MLDFs regarding the magnitude of the CG determinant-configuration relationships. It emphasised whether and how firm logic orientation influences the relationship between well-known CG determinants and configurations in terms of the board of directors structure and executive compensation design. In line with the perspective of ILs, the positive – as well as negative – effect of CG determinants on CG configurations showed to be a function of the logic orientation of firms, where family and market logics drive firm practices and decisions differently, highlighting the moderation effect of firm logic orientation.

To the extent that the CG determinant-configuration relationships are generally well-established in the literature, they showed to operate differently among firms that vary conceptually in terms of the embeddedness of family and market logics. Overall, I found that the familiness and marketness of firms have different effects on this relationship, where the familiness of firms lessens the positive relationship between CG determinants and configurations compared with the marketness logic orientation. Specifically, emphasising the complexity of firm operations and monitoring and advising benefits, the positive effect on both board size and independence is less pronounced in FLDFs relative to MLDFs. This is also true for the negative effect of certain CG determinants on board size and independence. Similarly, for executive total and equity-based compensation, the positive effect of the scope of firm business, the effectiveness of the board structure and managerial entrenchment is mitigated in FLDF compared with MLDFs.

In contrast to shareholder-oriented MLDFs, FLDFs display a family-oriented attitude and preference regarding prioritising the protection of the non-economic benefits of key firm actors, drawing on the perspective of SEW preservation. Given that SEW is the leading aspect of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), the priority of SEW preservation posits a unique, influential identity of FLDFs. FLDFs' identity enforces conditions against, and in turn, resistance to external demands and pressures (Greenwood et al., 2011) concerning CG in accordance with SEW-related interests and concerns.

As such, consistent with the CG deviance perspective (Aguilera et al., 2018), these results indicated that such an identity drives the discretion of FLDFs over firm governance in the name of preserving SEW, yielding different, idiosyncratic governance practices relative to the dominant shareholder-oriented governance system. Stemming from the ILs perspective, the identity of FLDFs thereby serves as an organisational filter (Greenwood et al., 2011), which frames how firms fulfil and respond to the demands, standards and expectations of CG imposed by the prevailing governance system in compliance with the concern for SEW preservation.

Specifically, emphasising the firm identity perspective, FLDFs apply an organisational filter between CG determinants and configurations, filtering the CG demands and pressures enforced by the dominant governance practices that conflict with SEW-related interests and goals. Therefore, relative to MLDFs, FLDFs respond differently to CG determinants concerning CG configurations, where the CG practices of FLDFs are aligned with their priorities and interests regarding the SEW preservation, which reflects the characterisation and distinction of their identity, irrespective of the prevailing governance practices. Accordingly, limiting the relationship between CG determinants and configurations, FLDFs avoid undertaking CG practices that threaten SEW. In contrast, prioritising the profitability and shareholders' wealth maximisation, MLDFs appear to obey the external demands and pressures imposed by the dominant shareholder-oriented governance system, given the overriding objective of CG regarding the maximisation of shareholders' wealth. Thus, drawing on the firm theory and market discipline perspectives, they undertake the dominant governance practices to avoid being disciplined by the market.

Further, as FLDFs tend to implement CG practices that support their goals, interests and concerns, which collectively demonstrate firm identity, FLDFs seem to adopt the response strategy of decoupling to the pressures, standards, and expectations of CG, responding distinctly to CG determinants regarding CG configurations. Specifically, FLDFs decouple CG configurations from their determinants, insulating themselves from the CG pressures and demands enforced by the prevailing governance practices if these contradict their interest and

undermine their priority of SEW preservation. That is, restraining the CG determinant-configuration relationships, FLDFs refrain implementing CG practices that expose SEW to risk.

Accordingly, by decoupling, FLDFs separate between the implemented and standard or normative structures (Tilcsik, 2010; Bromley and Powell, 2012) concerning CG. In other words, adopting decoupling response strategy, unlike MLDFs, FLDFs do not undertake the dominant governance practices at their operational level; instead, according to Mair et al. (2015), they conform to the minimum standards for legitimacy-seeking purposes. Thus, they depart from the prevailing governance system in the name of preserving SEW; in line with the CG deviance perspective (Aguilera et al., 2018), this results in different, idiosyncratic firm governance practices.

Moreover, given the dual threat that FLDFs managers cope with and the interdependence of the financial standing of firms and SEW (Berrone et al., 2012; Miller and Le Breton-Miller, 2014), the affective endowments linked to the firm self-motivate the managers of FLDFs to voluntarily serve as self-monitored stewards of the business. The economic and non-economic objectives can be fulfilled simultaneously, where preserving the SEW of key firm actors benefits the financial performance, and as such, financial status of the firm and vice versa. Preserving and extending the non-economic utilities derived from the firm – including authority and power, social ties, reputation and prestige and job security – entail, on the part of FLDF managers, making an extensive effort to run the business, effectively engaging with firm stakeholders and improving firm competitiveness and survival (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012). Therefore, such interdependence of firm's financial status and SEW provides FLDF managers with a substantial incentive to actively protect the firm business financially, and in turn, maintain the non-economic benefits attached to the firm for a win-win objective of shareholders and managers.

Relatedly, unlike shareholders, managers are undiversified in their financial wealth. Their financial welfare is closely linked to their careers, which also grant reputation and prestige, authority and control, job security and protection and social ties. Accordingly, given the competitiveness of managerial labour market and the threat of takeover market, poor financial performance has the potential of a dual threat that FLDF managers confront in terms of financial hardship and SEW loss (Berrone et al., 2012). Likewise, bearing both financial and SEW-related risks poses a substantial incentive for FLDF managers to actively safeguard the firm financial, and consequently, protect their both economic and non-economic utilities derived from the firms. That is, emphasising the concern for preserving their SEW, the managers of FLDFs are self-incentivised to act efficiently and not opportunistically.

This constrains the potential opportunistic behaviour of FLDF managers because the loss aversion of current SEW offsets the chase of future gains. Therefore, stemming from the SEW preservation perspective, the self-motivation of FLDF managers triggers their stewardship and, as van Aaken et al. (2017) assert, self-governance. This thereby underlies the substitution effect of SEW for the respective controlling roles of the board of directors and executive compensation (Williamson, 1983). In other words, the importance of the board of directors and executive compensation as internal CG configurations, regarding the roles of monitoring and advising, and managerial motivation and the alignment of interests, respectively, is alleviated in FLDFs where the preservation of SEW is a priority. Specifically, SEW plays a disciplinary role for the managers of FLDFs given the concern for protecting their affective endowments linked to the firm, leaving little room for internal CG configurations in terms of restricting the relationship between CG determinants and configurations.

Irrespective of ownership status (family or not), the response of CG configurations to their determinants showed to differ as a function of or conditional by firm logic orientation. Given the empirical evidence of the difference in the choices of CG configurations between FLDFs and MLDFs addressed in the previous chapter, in this study, I directed attention to a further underlying explanation, highlighting the moderation effect of the logic orientation of firms on the CG determinant-configuration relationships. Regarding the logic orientation of firms, while the marketness logic orientation endorses the priority of profitability and shareholders' wealth maximisation, the familiness logic orientation captures a family-oriented essence in terms of prioritising the SEW preservation. Therefore, building on the popular model of SEW, in this study, I explained that FLDFs structure the board and design executive compensation in a way that aligns with and preserves or extends the non-economic benefits of firm's key actors attached to the firm, mitigating the exposure of SEW to threat.

Given the firm type in terms of the logic-based group, in this study, I provided empirical evidence that firms vary in internally configuring the firm business in terms of firm governance concerning the relationship between established CG determinants and configurations. This approves the role of ILs as being hidden drivers of firm behaviour. Importantly, such evidence draws attention to and supports the introduced notion of firm logic orientation and approves the functionality of familiness and marketness constructs, differentiating among firms concerning governance practices. In this way, in this study, I presented a different classification of firms and a distinct view of their familiness and marketness.

Emphasising the embeddedness of family and market logics, the main idea is that firms vary in the culture and nature that implicitly embed in their decision making, and in turn, shape and explain the differences in firm practices and decisions; this is primarily a hidden logic-based

root. Thus, this study emphasises that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their distinctive culture and nature. Drawing on the difference in CG determinant-configuration relationships between FLDFs and MLDFs, in this study, I provided ILs, CG and family business scholars, as well as policymakers and regulators with a new institutional-based explanation for the difference in firm governance practices, expanding the understanding of ILs and CG.

Driving firm behaviour, the familiness logic orientation evidently differentiates firms from the standard, shareholder-oriented view of firms – the marketness logic orientation – which reveals in a different relationship between CG determinants and configurations. This can extend the knowledge of scholars, policymakers and regulators on ILs and CG. Primarily, they need to consider that, apart from family ownership status (or not), FLDFs prioritise the preservation of SEW, which characterises a unique, influential firm identity, and in turn, interferes in the adoption of dominant shareholder-oriented governance practices, specifically CG deviance.

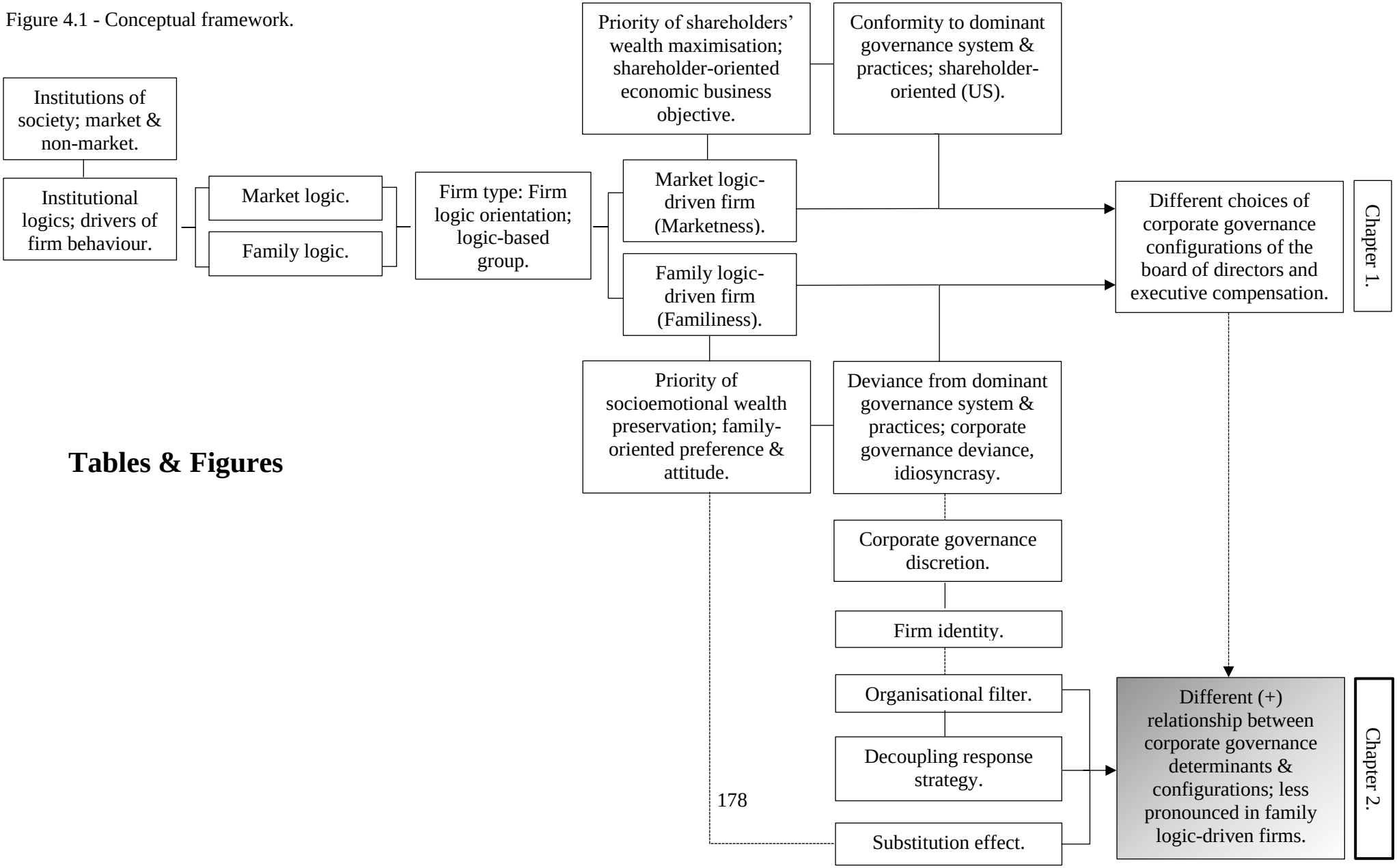
Stemming from the SEW preservation perspective, FLDFs configure firm governance in a way that best fits them, highlighting FLDFs as a distinct business form or approach compared with shareholder-oriented MLDFs (Greenwood et al., 2010). Particularly, the study suggests that the familiness logic orientation of firms exhibits a family-oriented attitude and preference that prompt FLDFs' propensity to deviate from the archetypal shareholder-oriented business setting of MLDFs where a marketness logic orientation, underlying the discrepancy in CG. This affects the understanding and evaluation of firm strategies and practices, where the difference among firms may be justified against market and government regulations and policies.

Fundamentally, this study can expand the understanding of firm governance among CG scholars, policymakers and regulators, providing them with an insight that a single governance system does not fit all firms. Yet, the logic orientation of firms covertly plays a key role in configuring the CG of firms, shedding light on the effect of firm logic orientation on the relationship between CG determinants and configurations given the variation in these relationships among the logic-based groups of firms. Providing a distinct, institutional-based explanation for the difference in CG among firms, this can help CG scholars, policymakers and regulators understand the role of ILs in prompting the discrepancies in firm behaviour related to firm governance and develop CG research, regulations and policies. This implies the importance to deliberate the latent institutional factor of firm logic orientation to achieve a better understanding of firms and by extension firm practices and behaviour.

4 Corporate Governance Drivers & the Moderating Role of Institutional Logics

Emphasising the logic orientation of firms as a latent explanatory institutional factor of CG configurations, as well as its moderating role related to the CG determinant-configuration relationships, this study raises the potential to apply the notion of firm logic orientation, namely the constructs of familiness and marketness, to a different area of investigation on firm practices and decisions. Moreover, in this study, I highlighted the advantage of the institutional-based classification of firms over the traditional ownership-based classification in terms of simplicity, speed and elegance. Unlike the conventional split of family and non-family firms, which relies on browsing the proxy statements and annual reports of firms for information on ownership status (family or not), the institutional-based classification of firms is an accounting-based process that emphasises real firm practices and decisions. Particularly, it integrates several behavioural dimensions measured using easily accessible financial data on various databases, building mainly on the existing family business research.

Figure 4.1 - Conceptual framework.



Tables & Figures

4 Corporate Governance Drivers & the Moderating Role of Institutional Logics

Table 4.1 - Preliminary multivariate analysis of moderation effect of familiness logic orientation: Board size.

The results of preliminary OLS multivariate analysis. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
FamilyFirm	-0.296***	-0.298***	-0.290***	-0.295***
	(0.0828)	(0.0829)	(0.0818)	(0.0826)
FirmSize	0.727***	0.726***	0.725***	0.728***
	(0.0408)	(0.0411)	(0.0409)	(0.0408)
Debt	1.970***	1.670***	1.683***	1.681***
	(0.476)	(0.394)	(0.393)	(0.394)
Growth	0.365***	0.452***	0.367***	0.366***
	(0.0950)	(0.110)	(0.0949)	(0.0952)
Risk	-9.092***	-9.090***	-10.58***	-9.061***
	(1.074)	(1.072)	(1.292)	(1.070)
FreeCashFlow	-1.545**	-1.573***	-1.522**	-1.687**
	(0.469)	(0.471)	(0.467)	(0.563)
MarketPerformance	-0.258***	-0.258***	-0.258***	-0.258***
	(0.0530)	(0.0530)	(0.0529)	(0.0529)
ExecutiveOwnership	-7.272***	-7.322***	-7.304***	-7.283***
	(1.419)	(1.419)	(1.421)	(1.424)
FamilyFirm × Debt	-0.641*			
	(0.254)			
FamilyFirm × Growth		-0.202+		
		(0.111)		
FamilyFirm × Risk			3.775*	
			(1.720)	
FamilyFirm × FreeCashFlow				0.357*
				(0.172)
Constant	9.801***	9.809***	9.801***	9.806***
	(0.384)	(0.384)	(0.386)	(0.385)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.191	0.192	0.192	0.191

Table 4.2 - Preliminary multivariate analysis of moderation effect of marketness logic orientation: Board size.

The results of preliminary OLS multivariate analysis. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
MarketFirm	0.392***	0.401***	0.408***	0.390***
	(0.103)	(0.102)	(0.103)	(0.103)
FirmSize	0.727***	0.725***	0.724***	0.726***
	(0.0406)	(0.0412)	(0.0410)	(0.0407)
Debt	1.664***	1.670***	1.686***	1.679***
	(0.413)	(0.393)	(0.392)	(0.394)
Growth	0.357***	0.294**	0.361***	0.356***
	(0.0937)	(0.0965)	(0.0934)	(0.0938)
Risk	-9.156***	-9.180***	-7.914***	-9.168***
	(1.072)	(1.068)	(1.171)	(1.070)
FreeCashFlow	-1.548***	-1.539***	-1.500**	-1.602**
	(0.466)	(0.465)	(0.463)	(0.497)
MarketPerformance	-0.250***	-0.248***	-0.252***	-0.249***
	(0.0526)	(0.0523)	(0.0523)	(0.0525)
ExecutiveOwnership	-7.282***	-7.320***	-7.276***	-7.278***
	(1.413)	(1.412)	(1.411)	(1.414)
MarketFirm × Debt	0.962*			
	(0.429)			
MarketFirm × Growth		0.280*		
		(0.140)		
MarketFirm × Risk			-5.316**	
			(1.955)	
MarketFirm × FreeCashFlow				-0.339*
				(0.151)
Constant	9.592***	9.622***	9.590***	9.595***
	(0.387)	(0.386)	(0.386)	(0.387)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.192	0.193	0.194	0.192

Table 4.3 - Post-hoc regressions for other firms category (Hybrid firms and MLDFs) and FLDFs category: Board size.

The results of preliminary post-hoc analysis of the relationship between CG determinants and board size in firms other than FLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm_Other*** is an indicator variable that equals 1 for FLDF, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 otherwise; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
Panel A- Other firms category (Hybrid firms and MLDFs)				
FamilyFirm_Other	-0.303***	-0.259**	-0.262**	-0.292***
	(0.0828)	(0.0857)	(0.0843)	(0.0846)
Risk	-11.810***			
	(1.374)			
FamilyFirm_Other × Risk	3.809*			
	(1.744)			
Growth		0.305**		
		(0.0933)		
FamilyFirm_Other × Growth		-0.134		
		(0.110)		
Debt			3.065***	
			(0.477)	
FamilyFirm_Other × Debt			-0.492	
			(0.567)	
FreeCashFlow				-3.188***
				(0.548)
FamilyFirm_Other × FreeCashFlow				0.340
				(0.679)
Constant	9.906***	9.919***	9.889***	9.909***
	(0.407)	(0.408)	(0.406)	(0.401)
Panel B- FLDFs category				
FamilyFirm_Family	-0.303***	-0.259**	-0.262**	-0.292***
	(0.0828)	(0.0857)	(0.0843)	(0.0846)
Risk	-8.000***			
	(1.446)			
FamilyFirm_Family × Risk	3.809*			
	(1.744)			
Growth		0.171+		
		(0.0940)		
FamilyFirm_Family × Growth		-0.134		
		(0.110)		
Debt			2.573***	
			(0.461)	
FamilyFirm_Family × Debt			-0.492	
			(0.567)	
FreeCashFlow				-2.848***
				(0.564)
FamilyFirm_Family × FreeCashFlow				0.340
				(0.679)
Constant	9.603***	9.660***	9.627***	9.617***
	(0.413)	(0.415)	(0.413)	(0.407)
Observations	6286	6286	6286	6286
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.112	0.0765	0.107	0.0933

Table 4.4 - Post-hoc regressions for other firms category (Hybrid firms and FLDFs) and MLDFs category: Board size.

The results of preliminary post-hoc analysis of the relationship between CG determinants and board size in firms other than MLDFs -Panel A- and MLDFs -Panel B. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***MarketFirm_Other*** is an indicator variable that equals 1 for MLDF, and 0 otherwise; ***MarketFirm_Market*** is an indicator variable that equals 0 for MLDF, and -1 otherwise; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets. Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
Panel A- Other firms category (Hybrid firms and FLDFs)				
MarketFirm_Other	0.470***	0.396***	0.375***	0.419***
	(0.102)	(0.106)	(0.105)	(0.106)
Risk	-9.081***			
	(1.189)			
MarketFirm_Other × Risk	-5.541**			
	(2.056)			
Growth		0.182*		
		(0.0792)		
MarketFirm_Other × Growth		0.323*		
		(0.142)		
Debt			2.432**	
			(0.741)	
MarketFirm_Other × Debt			-0.485	
			(0.740)	
FreeCashFlow				-2.776**
				(0.851)
MarketFirm_Other × FreeCashFlow				0.359
				(0.868)
Constant	9.712***	9.775***	9.729***	9.725***
	(0.406)	(0.411)	(0.407)	(0.402)
Panel B- MLDFs category				
MarketFirm_Market	0.470***	0.396***	0.375***	0.419***
	(0.102)	(0.106)	(0.105)	(0.106)
Risk	-12.620***			
	(1.956)			
MarketFirm_Market × Risk	-5.541**			
	(2.056)			
Growth		0.505***		
		(0.138)		
MarketFirm_Market × Growth		0.323*		
		(0.142)		
Debt			2.918***	
			(0.386)	
MarketFirm_Market × Debt			-0.485	
			(0.740)	
FreeCashFlow				-3.135***
				(0.460)
MarketFirm_Market × FreeCashFlow				0.359
				(0.868)
Constant	10.18***	10.17***	10.10***	10.14***
	(0.404)	(0.410)	(0.408)	(0.402)
Observations	6286	6286	6286	6286
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.116	0.0798	0.108	0.0954

Table 4.5 - Robustness test (Random-effects estimation, Moderation effect of familiness logic orientation): Board size.

The results of random-effects estimation robustness test. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
FamilyFirm	-0.153*	-0.141+	-0.132+	-0.136+
	(0.0715)	(0.0709)	(0.0713)	(0.0713)
FirmSize	0.673**	0.671**	0.669**	0.672**
	(0.0261)	(0.0261)	(0.0262)	(0.0260)
Debt	0.746**	0.631**	0.628**	0.631**
	(0.227)	(0.200)	(0.200)	(0.199)
Growth	0.164**	0.124*	0.120*	0.188**
	(0.0536)	(0.0592)	(0.0536)	(0.0536)
Risk	-1.188**	-1.186**	-1.799**	-1.183**
	(0.453)	(0.453)	(0.607)	(0.453)
FreeCashFlow	-0.420+	-0.418+	-0.416+	-0.414+
	(0.236)	(0.236)	(0.236)	(0.236)
MarketPerformance	-0.0817**	-0.0815**	-0.0823**	-0.0814**
	(0.0263)	(0.0262)	(0.0263)	(0.0262)
ExecutiveOwnership	-2.565*	-2.572*	-2.562*	-2.570*
	(1.204)	(1.203)	(1.204)	(1.203)
FamilyFirm × Debt	-0.278*			
	(0.129)			
FamilyFirm × Growth		-0.0812+		
		(0.0492)		
FamilyFirm × Risk			1.455+	
			(0.780)	
FamilyFirm × FreeCashFlow				0.232+
				(0.126)
Constant	9.615***	9.617***	9.616***	9.617***
	(0.337)	(0.336)	(0.336)	(0.336)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.6 - Robustness test (Random-effects estimation, Moderation effect of marketness logic orientation): Board size

The results of random-effects estimation robustness test. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
MarketFirm	0.189*	0.173+	0.139+	0.158+
	(0.0922)	(0.0920)	(0.0921)	(0.0923)
FirmSize	0.672**	0.670**	0.670**	0.672**
	(0.0260)	(0.0261)	(0.0260)	(0.0261)
Debt	0.554**	0.636**	0.636**	0.635**
	(0.207)	(0.199)	(0.199)	(0.200)
Growth	0.215**	0.204**	0.218**	0.216**
	(0.0637)	(0.0652)	(0.0637)	(0.0637)
Risk	-1.168*	-1.169*	-1.210*	-1.171**
	(0.454)	(0.455)	(0.488)	(0.454)
FreeCashFlow	-0.428+	-0.414+	-0.417+	-0.413+
	(0.236)	(0.235)	(0.235)	(0.246)
MarketPerformance	-0.0822**	-0.0818**	-0.0819**	-0.0818**
	(0.0263)	(0.0262)	(0.0262)	(0.0262)
ExecutiveOwnership	-2.577*	-2.576*	-2.588*	-2.581*
	(1.205)	(1.205)	(1.205)	(1.204)
MarketFirm × Debt	0.393+			
	(0.244)			
MarketFirm × Growth		0.163*		
		(0.0690)		
MarketFirm × Risk			-0.458*	
			(0.213)	
MarketFirm × FreeCashFlow				-0.193+
				(0.106)
Constant	9.603***	9.601***	9.606***	9.606***
	(0.338)	(0.338)	(0.337)	(0.337)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.7 - Robustness test (Dynamic estimation, Moderation effect of familiness logic orientation): Board size.

The results of dynamic estimation robustness test. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
FamilyFirm	-0.0548*	-0.0552*	-0.0549*	-0.0557*
	(0.0231)	(0.0231)	(0.0230)	(0.0232)
FirmSize	0.483***	0.481***	0.484***	0.481***
	(0.0106)	(0.0102)	(0.0104)	(0.0103)
Debt	0.353**	0.249**	0.253**	0.246**
	(0.127)	(0.0916)	(0.0915)	(0.0918)
Growth	0.0557*	0.0656*	0.0570*	0.0548*
	(0.0267)	(0.0318)	(0.0267)	(0.0266)
Risk	-1.420***	-1.416***	-2.160***	-1.425***
	(0.320)	(0.321)	(0.448)	(0.321)
FreeCashFlow	-0.281*	-0.284*	-0.270*	-0.287+
	(0.120)	(0.120)	(0.120)	(0.150)
MarketPerformance	-0.0341*	-0.0339*	-0.0340*	-0.0338*
	(0.0163)	(0.0163)	(0.0163)	(0.0163)
ExecutiveOwnership	-1.142***	-1.151***	-1.158***	-1.148***
	(0.214)	(0.215)	(0.217)	(0.214)
(lag) BoardSize	0.866***	0.866***	0.866***	0.867***
	(0.00708)	(0.00711)	(0.00713)	(0.00708)
FamilyFirm × Debt	-0.225*			
	(0.0869)			
FamilyFirm × Growth		-0.0231+		
		(0.0126)		
FamilyFirm × Risk			1.864**	
			(0.636)	
FamilyFirm × FreeCashFlow				0.153+
				(0.101)
Constant	1.327***	1.329***	1.329***	1.328***
	(0.114)	(0.114)	(0.114)	(0.114)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.812	0.812	0.812	0.812

Table 4.8 - Robustness test (Dynamic estimation, Moderation effect of marketness logic orientation): Board size.

The results of dynamic estimation robustness test. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
MarketFirm	0.0820**	0.0813**	0.0815**	0.0818**
	(0.0301)	(0.0301)	(0.0301)	(0.0301)
FirmSize	0.484***	0.480***	0.482***	0.481***
	(0.0105)	(0.0102)	(0.0104)	(0.0104)
Debt	0.185+	0.250**	0.250**	0.249**
	(0.102)	(0.0916)	(0.0915)	(0.0914)
Growth	0.0552*	0.0595*	0.0558*	0.0551*
	(0.0265)	(0.0273)	(0.0266)	(0.0266)
Risk	-1.410***	-1.408***	-1.237***	-1.412***
	(0.321)	(0.322)	(0.364)	(0.321)
FreeCashFlow	-0.284*	-0.278*	-0.272*	-0.283*
	(0.119)	(0.119)	(0.119)	(0.132)
MarketPerformance	-0.0344*	-0.0336*	-0.0338*	-0.0334*
	(0.0163)	(0.0162)	(0.0162)	(0.0163)
ExecutiveOwnership	-1.155***	-1.144***	-1.150***	-1.148***
	(0.214)	(0.215)	(0.215)	(0.214)
(lag) BoardSize	0.867***	0.867***	0.866***	0.867***
	(0.00710)	(0.00713)	(0.00715)	(0.00712)
MarketFirm × Debt	0.215*			
	(0.0981)			
MarketFirm × Growth		0.0398+		
		(0.0258)		
MarketFirm × Risk			-0.757*	
			(0.301)	
MarketFirm × FreeCashFlow				-0.230+
				(0.124)
Constant	1.310***	1.309***	1.315***	1.313***
	(0.113)	(0.114)	(0.113)	(0.113)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.812	0.812	0.812	0.812

Table 4.9 - Robustness test (Reduced sample): Board size.

The results of OLS multivariate analysis using a reduced sample, excluding hybrid firms. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
FamilyFirm	-0.685***	-0.692***	-0.697***	-0.688***
	(0.155)	(0.155)	(0.155)	(0.157)
FirmSize	0.755***	0.753***	0.758***	0.752***
	(0.0518)	(0.0539)	(0.0529)	(0.0525)
Debt	1.971*	1.322*	1.350**	1.389**
	(0.961)	(0.520)	(0.516)	(0.518)
Growth	0.417**	0.671***	0.440***	0.422**
	(0.130)	(0.188)	(0.130)	(0.130)
Risk	-9.530***	-9.610***	-10.510***	-9.445***
	(1.442)	(1.438)	(2.370)	(1.436)
FreeCashFlow	-1.310*	-1.305*	-1.216*	-1.876+
	(0.608)	(0.606)	(0.598)	(1.035)
MarketPerformance	-0.320***	-0.318***	-0.326***	-0.320***
	(0.0750)	(0.0764)	(0.0751)	(0.0752)
ExecutiveOwnership	-6.325***	-6.360***	-6.277***	-6.275***
	(1.760)	(1.754)	(1.763)	(1.773)
FamilyFirm × Debt	-1.542**			
	(0.577)			
FamilyFirm × Growth		-0.369+		
		(0.199)		
FamilyFirm × Risk			6.390*	
			(2.854)	
FamilyFirm × FreeCashFlow				0.899+
				(0.501)
Constant	9.703***	9.754***	9.716***	9.713***
	(0.503)	(0.499)	(0.505)	(0.503)
Observations	2241	2241	2241	2241
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.173	0.175	0.175	0.173

Table 4.10 - Post-hoc regression for MLDFs category and FLDFs category: Board size.

The results of robustness post-hoc analysis of the relationship between CG determinants and board size in MLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm_Market*** is an indicator variable that equals 1 for FLDF, and 0 for MLDF; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDFs, and -1 for MLDF; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
Panel A- MLDFs category				
FamilyFirm_Market	-0.618***	-0.499***	-0.498***	-0.553***
	(0.145)	(0.149)	(0.149)	(0.151)
Risk	-11.012***			
	(2.355)			
FamilyFirm_Market × Risk	5.715*			
	(2.813)			
Growth		0.530**		
		(0.162)		
FamilyFirm_Market × Growth		-0.414*		
		(0.189)		
Debt			2.649**	
			(0.929)	
FamilyFirm_Market × Debt			-0.238	
			(1.038)	
FreeCashFlow				-2.717**
				(1.024)
FamilyFirm_Market × FreeCashFlow				0.213
				(1.177)
Constant	9.773***	9.795***	9.671***	9.724***
	(0.472)	(0.483)	(0.509)	(0.477)
Panel B- FLDFs category				
FamilyFirm_Family	-0.618***	-0.499***	-0.498***	-0.553***
	(0.145)	(0.149)	(0.149)	(0.151)
Risk	-8.290***			
	(1.641)			
FamilyFirm_Family × Risk	5.715*			
	(2.813)			
Growth		0.315**		
		(0.111)		
FamilyFirm_Family × Growth		-0.414*		
		(0.189)		
Debt			2.412***	
			(0.517)	
FamilyFirm_Family × Debt			-0.238	
			(1.038)	
FreeCashFlow				-2.504***
				(0.643)
FamilyFirm_Family × FreeCashFlow				0.213
				(1.177)
Constant	9.155***	9.296***	9.173***	9.171***
	(0.479)	(0.489)	(0.514)	(0.485)
Observations	3006	3006	3006	3006
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.110	0.0779	0.0970	0.0848

Table 4.11 - Preliminary multivariate analysis of moderation effect of familiness logic orientation: Board independence.

The results of preliminary OLS multivariate analysis. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
FamilyFirm	-0.0115**	-0.0117**	-0.0115**	-0.0116**
	(0.00419)	(0.00419)	(0.00418)	(0.00419)
FirmSize	0.0116***	0.0113***	0.0114***	0.0116***
	(0.00228)	(0.00228)	(0.00229)	(0.00228)
Debt	0.0654**	0.0734***	0.0734***	0.0729***
	(0.0229)	(0.0201)	(0.0201)	(0.0201)
Growth	0.0144*	0.0210**	0.0145*	0.0141*
	(0.00581)	(0.00596)	(0.00582)	(0.00581)
Risk	-0.114*	-0.119*	-0.168*	-0.115*
	(0.0528)	(0.0527)	(0.0670)	(0.0527)
FreeCashFlow	0.0388	0.0363	0.0389	0.0481+
	(0.0245)	(0.0244)	(0.0244)	(0.0284)
MarketPerformance	-0.0123***	-0.0124***	-0.0124***	-0.0123***
	(0.00343)	(0.00341)	(0.00345)	(0.00346)
ExecutiveOwnership	-0.261***	-0.264***	-0.260***	-0.261***
	(0.0765)	(0.0763)	(0.0764)	(0.0764)
ExecutiveAge	-0.000439	-0.000444	-0.000427	-0.000439
	(0.000435)	(0.000435)	(0.000435)	(0.000435)
ExecutiveTenure	-0.000519	-0.000519	-0.000542	-0.000522
	(0.000456)	(0.000455)	(0.000457)	(0.000457)
FamilyFirm × Debt	-0.0470*			
	(0.0227)			
FamilyFirm × Growth		-0.0141*		
		(0.00623)		
FamilyFirm × Risk			0.0564*	
			(0.0251)	
FamilyFirm × FreeCashFlow				-0.0352+
				(0.0204)
Constant	0.724***	0.721***	0.722***	0.723***
	(0.0184)	(0.0183)	(0.0185)	(0.0184)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.138	0.139	0.138	0.138

Table 4.12 - Preliminary multivariate analysis of moderation effect of marketness logic orientation: Board independence.

The results of preliminary OLS multivariate analysis. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
MarketFirm	0.0151**	0.0156**	0.0151**	0.0151**
	(0.00490)	(0.00487)	(0.00490)	(0.00495)
FirmSize	0.0116***	0.0112***	0.0116***	0.0115***
	(0.00229)	(0.00229)	(0.00230)	(0.00229)
Debt	0.0784***	0.0723***	0.0725***	0.0726***
	(0.0220)	(0.0202)	(0.0202)	(0.0203)
Growth	0.0142*	0.0202**	0.0141*	0.0146*
	(0.00582)	(0.00591)	(0.00582)	(0.00583)
Risk	-0.116*	-0.121*	-0.118*	-0.116*
	(0.0527)	(0.0525)	(0.0585)	(0.0525)
FreeCashFlow	0.0393	0.0381	0.0384	0.0390+
	(0.0246)	(0.0244)	(0.0245)	(0.0241)
MarketPerformance	-0.0120***	-0.0124***	-0.0123***	-0.0121***
	(0.00344)	(0.00342)	(0.00346)	(0.00345)
ExecutiveOwnership	-0.259***	-0.262***	-0.259***	-0.260***
	(0.0761)	(0.0757)	(0.0760)	(0.0760)
ExecutiveAge	-0.000444	-0.000449	-0.000447	-0.000447
	(0.000436)	(0.000435)	(0.000436)	(0.000436)
ExecutiveTenure	-0.000525	-0.000540	-0.000530	-0.000530
	(0.000455)	(0.000454)	(0.000455)	(0.000455)
MarketFirm × Debt	0.0601+			
	(0.0369)			
MarketFirm × Growth		0.0185*		
		(0.00753)		
MarketFirm × Risk			-0.0924*	
			(0.0452)	
MarketFirm × FreeCashFlow				0.0488*
				(0.0210)
Constant	0.715***	0.716***	0.715***	0.714***
	(0.0182)	(0.0184)	(0.0183)	(0.0183)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.138	0.140	0.138	0.138

Table 4.13 - Post-hoc regressions for other firms category (Hybrid firms and MLDFs) and FLDFs category: Board independence.

The results of preliminary post-hoc analysis of the relationship between CG determinants and board independence in firms other than FLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm_Other*** is an indicator variable that equals 1 for FLDF, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 otherwise; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
Panel A- Other firms category (Hybrid firms and MLDFs)				
FamilyFirm_Other	-0.0149***	-0.0140**	-0.0141**	-0.0143**
	(0.00437)	(0.00436)	(0.00430)	(0.00439)
Risk	-0.321***			
	(0.0713)			
FamilyFirm_Other × Risk	0.156+			
	(0.0907)			
Growth		0.0154**		
		(0.00490)		
FamilyFirm_Other × Growth		-0.0153*		
		(0.00655)		
Debt			0.137***	
			(0.0258)	
FamilyFirm_Other × Debt			0.00510	
			(0.0289)	
FreeCashFlow				0.0516*
				(0.0237)
FamilyFirm_Other × FreeCashFlow				-0.0137
				(0.0370)
Constant	0.723***	0.721***	0.722***	0.723***
	(0.0207)	(0.0196)	(0.0204)	(0.0210)
Panel B- FLDFs category				
FamilyFirm_Family	-0.0149***	-0.0140**	-0.0141**	-0.0143**
	(0.00437)	(0.00436)	(0.00430)	(0.00439)
Risk	-0.165*			
	(0.0749)			
FamilyFirm_Family × Risk	0.156+			
	(0.0907)			
Growth		0.0112*		
		(0.00481)		
FamilyFirm_Family × Growth		-0.0153*		
		(0.00655)		
Debt			0.112***	
			(0.0236)	
FamilyFirm_Family × Debt			0.00510	
			(0.0289)	
FreeCashFlow				0.0379*
				(0.0179)
FamilyFirm_Other × FreeCashFlow				-0.0137
				(0.0370)
Constant	0.709***	0.710***	0.708***	0.709***
	(0.0206)	(0.0196)	(0.0203)	(0.0209)
Observations	6286	6286	6286	6286
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0758	0.0708	0.0862	0.0680

Table 4.14 - Post-hoc regressions for other firms category (Hybrid firms and FLDFs) and MLDFs category: Board independence.

The results of preliminary post-hoc analysis of the relationship between CG determinants and board independence in firms other than MLDFs -Panel A- and MLDFs -Panel B. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***MarketFirm_Other*** is an indicator variable that equals 1 for MLDF, and 0 otherwise; ***MarketFirm_Market*** is an indicator variable that equals 0 for MLDF, and -1 otherwise; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
Panel A- Other firms category (Hybrid firms and FLDFs)				
MarketFirm_Other	0.0200***	0.0189***	0.0179***	0.0186***
	(0.00508)	(0.00508)	(0.00512)	(0.00517)
Risk	-0.247***			
	(0.0636)			
MarketFirm_Other × Risk	-0.0558			
	(0.102)			
Growth		0.0267***		
		(0.00707)		
MarketFirm_Other × Growth		0.0225**		
		(0.00782)		
Debt			0.0923*	
			(0.0367)	
MarketFirm_Other × Debt			-0.0258	
			(0.0391)	
FreeCashFlow				0.0431+
				(0.0260)
FamilyFirm_Other × FreeCashFlow				-0.000350
				(0.0438)
Constant	0.714***	0.717***	0.714***	0.714***
	(0.0205)	(0.0207)	(0.0202)	(0.0208)
Panel B- MLDFs category				
MarketFirm_Market	0.0200***	0.0189***	0.0179***	0.0186***
	(0.00508)	(0.00508)	(0.00512)	(0.00517)
Risk	-0.303**			
	(0.0930)			
MarketFirm_Market × Risk	-0.0558			
	(0.102)			
Growth		0.0423***		
		(0.00496)		
MarketFirm_Market × Growth		0.0225**		
		(0.00782)		
Debt			0.118***	
			(0.0217)	
MarketFirm_Market × Debt			-0.0258	
			(0.0391)	
FreeCashFlow				0.0534*
				(0.0215)
FamilyFirm_Other × FreeCashFlow				-0.000350
				(0.0438)
Constant	0.734***	0.736***	0.732***	0.733***
	(0.0209)	(0.0210)	(0.0206)	(0.0212)
Observations	6286	6286	6286	6286
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0759	0.0724	0.0866	0.0685

Table 4.15 - Robustness test (Random-effects estimation, Moderation effect of familiness logic orientation): Board independence.

The results of random-effects estimation robustness test. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
FamilyFirm	-0.00683*	-0.00681*	-0.00695*	-0.00689*
	(0.00306)	(0.00305)	(0.00305)	(0.00306)
FirmSize	0.00983***	0.00972***	0.00970***	0.00987***
	(0.00221)	(0.00222)	(0.00222)	(0.00221)
Debt	0.0280+	0.0262+	0.0254+	0.0279*
	(0.0146)	(0.0135)	(0.0135)	(0.0135)
Growth	0.0117*	0.0128*	0.0118*	0.0114*
	(0.00451)	(0.00498)	(0.00467)	(0.00468)
Risk	-0.0751**	-0.0766**	-0.113**	-0.0748**
	(0.0273)	(0.0274)	(0.0368)	(0.0274)
FreeCashFlow	0.0103	0.00921	0.01000	0.0257+
	(0.0156)	(0.0156)	(0.0156)	(0.0146)
MarketPerformance	-0.00961***	-0.00963***	-0.00970***	-0.00965***
	(0.00210)	(0.00212)	(0.00209)	(0.00214)
ExecutiveOwnership	-0.0724	-0.0731	-0.0716	-0.0733
	(0.0574)	(0.0574)	(0.0574)	(0.0569)
ExecutiveAge	-0.000391	-0.000391	-0.000397	-0.000390
	(0.000303)	(0.000303)	(0.000303)	(0.000303)
ExecutiveTenure	-1.99e-05	-1.39e-05	-6.12e-06	-1.55e-05
	(0.000369)	(0.000369)	(0.000370)	(0.000370)
FamilyFirm × Debt	-0.0170+			
	(0.0102)			
FamilyFirm × Growth		-0.0105**		
		(0.00382)		
FamilyFirm × Risk			0.0880+	
			(0.0461)	
FamilyFirm × FreeCashFlow				0.0396+
				(0.0205)
Constant	0.701***	0.701***	0.701***	0.701***
	(0.0184)	(0.0184)	(0.0184)	(0.0184)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.16 - Robustness test (Random-effects estimation, Moderation effect of marketness logic orientation): Board independence.

The results of random-effects estimation robustness test. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
MarketFirm	0.00263+	0.00262+	0.00267+	0.00265+
	(0.00146)	(0.00141)	(0.00142)	(0.00142)
FirmSize	0.00985***	0.00970***	0.00979***	0.00982***
	(0.00222)	(0.00221)	(0.00222)	(0.00221)
Debt	0.0276+	0.0278*	0.0261+	0.0281*
	(0.0144)	(0.0135)	(0.0135)	(0.0135)
Growth	0.0110*	0.0156***	0.0115*	0.0118*
	(0.00467)	(0.00479)	(0.00476)	(0.00469)
Risk	-0.0748**	-0.0754**	-0.0745*	-0.0756**
	(0.0274)	(0.0274)	(0.0306)	(0.0274)
FreeCashFlow	0.0111	0.00992	0.0103	0.0285+
	(0.0156)	(0.0156)	(0.0156)	(0.0174)
MarketPerformance	-0.00963***	-0.00962***	-0.00969***	-0.00964***
	(0.00209)	(0.00210)	(0.00211)	(0.00212)
ExecutiveOwnership	-0.0735	-0.0739	-0.0729	-0.0726
	(0.0574)	(0.0573)	(0.0573)	(0.0571)
ExecutiveAge	-0.000384	-0.000392	-0.000389	-0.000389
	(0.000303)	(0.000302)	(0.000303)	(0.000304)
ExecutiveTenure	-1.96e-05	-1.24e-05	-1.50e-05	-1.47e-05
	(0.000369)	(0.000369)	(0.000369)	(0.000369)
MarketFirm × Debt	0.0233+			
	(0.0127)			
MarketFirm × Growth		0.0112*		
		(0.00456)		
MarketFirm × Risk			-0.0295+	
			(0.0166)	
MarketFirm × FreeCashFlow				0.0414+
				(0.0220)
Constant	0.700***	0.700***	0.700***	0.700***
	(0.0183)	(0.0184)	(0.0184)	(0.0184)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.17 - Robustness test (Dynamic estimation, Moderation effect of familiness logic orientation): Board independence.

The results of dynamic estimation robustness test. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
FamilyFirm	-0.00244+	-0.00243+	-0.00249+	-0.00245+
	(0.00145)	(0.00145)	(0.00146)	(0.00145)
FirmSize	0.00185**	0.00170**	0.00175**	0.00185**
	(0.000626)	(0.000629)	(0.000630)	(0.000625)
Debt	0.0132+	0.0129*	0.0129*	0.0122+
	(0.00798)	(0.00637)	(0.00636)	(0.00636)
Growth	0.00261*	0.00293*	0.00267*	0.00269*
	(0.00124)	(0.00132)	(0.00125)	(0.00125)
Risk	-0.0695**	-0.0719**	-0.0870**	-0.0717**
	(0.0229)	(0.0230)	(0.0311)	(0.0229)
FreeCashFlow	0.0129	0.0118	0.0129	0.0277**
	(0.00792)	(0.00792)	(0.00793)	(0.00981)
MarketPerformance	-0.0110***	-0.0112***	-0.0109***	-0.0108***
	(0.00111)	(0.00110)	(0.00113)	(0.00111)
ExecutiveOwnership	-0.0654**	-0.0670**	-0.0654**	-0.0651**
	(0.0224)	(0.0223)	(0.0223)	(0.0222)
ExecutiveAge	-3.54e-05	-4.07e-05	-3.36e-05	-3.59e-05
	(0.000132)	(0.000131)	(0.000131)	(0.000131)
ExecutiveTenure	-3.85e-05	-3.36e-05	-4.17e-05	-4.15e-05
	(0.000120)	(0.000120)	(0.000120)	(0.000120)
(lag) BoardIndependence	0.820***	0.820***	0.820***	0.820***
	(0.0111)	(0.0111)	(0.0111)	(0.0111)
FamilyFirm × Debt	-0.0102+			
	(0.00583)			
FamilyFirm × Growth		-0.00223*		
		(0.00110)		
FamilyFirm × Risk			0.0403+	
			(0.0204)	
FamilyFirm × FreeCashFlow				-0.0174*
				(0.00734)
Constant	0.168***	0.168***	0.168***	0.168***
	(0.0104)	(0.0104)	(0.0104)	(0.0104)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.745	0.745	0.745	0.745

Table 4.18 - Robustness test (Dynamic estimation, Moderation effect of marketness logic orientation): Board independence.

The results of dynamic estimation robustness test. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
MarketFirm	0.00443*	0.00470*	0.00461*	0.00473*
	(0.00184)	(0.00184)	(0.00183)	(0.00184)
FirmSize	0.00178**	0.00172**	0.00185**	0.00179**
	(0.000631)	(0.000635)	(0.000635)	(0.000630)
Debt	0.0127+	0.0127*	0.0126*	0.0125+
	(0.00697)	(0.00636)	(0.00637)	(0.00637)
Growth	0.00263*	0.00289*	0.00264*	0.00261*
	(0.00125)	(0.00130)	(0.00125)	(0.00126)
Risk	-0.0713**	-0.0724**	-0.0848**	-0.0719**
	(0.0231)	(0.0230)	(0.0261)	(0.0230)
FreeCashFlow	0.0126	0.0125	0.0122	0.0220*
	(0.00792)	(0.00792)	(0.00793)	(0.00914)
MarketPerformance	-0.0114***	-0.0110***	-0.0111***	-0.0110***
	(0.00113)	(0.00111)	(0.00112)	(0.00112)
ExecutiveOwnership	-0.0652**	-0.0660**	-0.0648**	-0.0649**
	(0.0222)	(0.0222)	(0.0222)	(0.0222)
ExecutiveAge	-3.91e-05	-4.05e-05	-4.01e-05	-3.77e-05
	(0.000132)	(0.000132)	(0.000132)	(0.000131)
ExecutiveTenure	-3.71e-05	-3.81e-05	-3.64e-05	-3.91e-05
	(0.000120)	(0.000120)	(0.000120)	(0.000120)
(lag) BoardIndependence	0.820***	0.820***	0.820***	0.820***
	(0.0111)	(0.0111)	(0.0111)	(0.0111)
MarketFirm × Debt	0.0222+			
	(0.0137)			
MarketFirm × Growth		0.00348+		
		(0.00211)		
MarketFirm × Risk			-0.0612*	
			(0.0257)	
MarketFirm × FreeCashFlow				0.0169+
				(0.0105)
Constant	0.167***	0.168***	0.167***	0.167***
	(0.0104)	(0.0104)	(0.0104)	(0.0104)
Observations	5299	5299	5299	5299
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.745	0.745	0.745	0.745

Table 4.19 - Robustness test (Reduced sample): Board independence.

The results of OLS multivariate analysis using a reduced sample, excluding hybrid firms. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
FamilyFirm	-0.0180**	-0.0189**	-0.0183**	-0.0183**
	(0.00688)	(0.00685)	(0.00690)	(0.00693)
FirmSize	0.0123***	0.0114***	0.0121***	0.0121***
	(0.00286)	(0.00287)	(0.00289)	(0.00288)
Debt	0.0715**	0.0695**	0.0696**	0.0700**
	(0.0255)	(0.0258)	(0.0258)	(0.0260)
Growth	0.0282***	0.0369***	0.0278***	0.0273***
	(0.00803)	(0.00828)	(0.00805)	(0.00811)
Risk	-0.0516	-0.0639	-0.0806	-0.0526
	(0.0695)	(0.0687)	(0.107)	(0.0690)
FreeCashFlow	0.0306	0.0380+	0.0302	0.0491+
	(0.0309)	(0.0216)	(0.0307)	(0.0310)
MarketPerformance	-0.0137***	-0.0139***	-0.0136***	-0.0137***
	(0.00473)	(0.00469)	(0.00477)	(0.00477)
ExecutiveOwnership	-0.227*	-0.235*	-0.228*	-0.229*
	(0.0992)	(0.0989)	(0.0991)	(0.0990)
ExecutiveAge	-0.00119*	-0.00120*	-0.00119*	-0.00119*
	(0.000535)	(0.000534)	(0.000535)	(0.000534)
ExecutiveTenure	-0.000454	-0.000479	-0.000467	-0.000458
	(0.000541)	(0.000536)	(0.000540)	(0.000542)
FamilyFirm × *Debt*	-0.0540*			
	(0.0253)			
FamilyFirm × *Growth*		-0.0226*		
		(0.0101)		
FamilyFirm × *Risk*			0.0729+	
			(0.0459)	
FamilyFirm × *FreeCashFlow*				-0.0354+
				(0.0212)
Constant	0.721***	0.723***	0.720***	0.720***
	(0.0249)	(0.0249)	(0.0249)	(0.0249)
Observations	2241	2241	2241	2241
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.150	0.153	0.149	0.149

Table 4.20 - Post-hoc regressions for MLDFs category and FLDFs category: Board independence.

The results of robustness post-hoc analysis of the relationship between CG determinants and board independence in MLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm_Market*** is an indicator variable that equals 1 for FLDF, and 0 for MLDF; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 for MLDF; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
Panel A- MLDFs category				
FamilyFirm_Market	-0.0235**	-0.0213**	-0.0216**	-0.0222**
	(0.00717)	(0.00714)	(0.00714)	(0.00726)
Risk	-0.292**			
	(0.113)			
FamilyFirm_Market × Risk	0.119			
	(0.141)			
Growth		0.0283***		
		(0.00797)		
FamilyFirm_Market × Growth		-0.0266*		
		(0.0105)		
Debt			0.114***	
			(0.0297)	
FamilyFirm_Market × Debt			0.0199	
			(0.0542)	
FreeCashFlow				0.0603+
				(0.0322)
FamilyFirm_Market × FreeCashFlow				0.0149
				(0.0624)
Constant	0.724***	0.721***	0.727***	0.723***
	(0.0239)	(0.0251)	(0.0242)	(0.0245)
Panel B- FLDFs category				
FamilyFirm_Family	-0.0235**	-0.0213**	-0.0216**	-0.0222**
	(0.00717)	(0.00714)	(0.00714)	(0.00726)
Risk	-0.174+			
	(0.0918)			
FamilyFirm_Family × Risk	0.119			
	(0.141)			
Growth		0.0171*		
		(0.00742)		
FamilyFirm_Family × Growth		-0.0266*		
		(0.0105)		
Debt			0.0939*	
			(0.0467)	
FamilyFirm_Family × Debt			0.0199	
			(0.0542)	
FreeCashFlow				0.0454+
				(0.0269)
FamilyFirm_Family × FreeCashFlow				0.0149
				(0.0624)
Constant	0.700***	0.700***	0.705***	0.701***
	(0.0236)	(0.0247)	(0.0239)	(0.0242)
Observations	3006	3006	3006	3006
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0883	0.100	0.0902	0.0843

Table 4.21 - Preliminary multivariate analysis of moderation effect of familiness logic orientation: Total compensation.

The results of preliminary OLS multivariate analysis. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
FamilyFirm	-0.0895***	-0.0894***	-0.0892***	-0.0886***	-0.0891***	-0.0897***
	(0.0195)	(0.0195)	(0.0194)	(0.0193)	(0.0195)	(0.0195)
FirmSize	0.391***	0.390***	0.389***	0.390***	0.390***	0.390***
	(0.0125)	(0.0126)	(0.0126)	(0.0126)	(0.0125)	(0.0126)
FirmAge	0.104***	0.0671**	0.0682**	0.0659**	0.0678**	0.0677**
	(0.0282)	(0.0242)	(0.0242)	(0.0242)	(0.0242)	(0.0242)
Debt	0.201+	0.277*	0.201+	0.194+	0.196+	0.197+
	(0.109)	(0.130)	(0.109)	(0.108)	(0.109)	(0.109)
Growth	0.0847*	0.0846*	0.0871*	0.0843*	0.0849*	0.0849*
	(0.0349)	(0.0347)	(0.0382)	(0.0343)	(0.0347)	(0.0348)
Risk	-0.222	-0.225	-0.244	-0.249	-0.230	-0.226
	(0.275)	(0.275)	(0.273)	(0.272)	(0.275)	(0.275)
MarketPerformance	0.0813**	0.0832**	0.0832**	0.110***	0.0828**	0.0831**
	(0.0260)	(0.0260)	(0.0256)	(0.0269)	(0.0260)	(0.0261)
StockPerformance	1.752***	1.746***	1.732***	1.707***	2.032***	1.751***
	(0.313)	(0.313)	(0.313)	(0.312)	(0.426)	(0.314)
Duality	0.112***	0.111***	0.108***	0.109***	0.110***	0.111***
	(0.0264)	(0.0264)	(0.0264)	(0.0263)	(0.0264)	(0.0264)
BoardSize	0.0293***	0.0294***	0.0293***	0.0291***	0.0294***	0.0293***
	(0.00801)	(0.00803)	(0.00804)	(0.00804)	(0.00803)	(0.00803)
BoardIndependence	0.354*	0.346*	0.343*	0.343*	0.346*	0.345*
	(0.144)	(0.144)	(0.143)	(0.143)	(0.144)	(0.144)
ExecutiveAge	0.00466*	0.00473*	0.00472*	0.00472*	0.00470*	0.00406+
	(0.00204)	(0.00205)	(0.00204)	(0.00204)	(0.00205)	(0.00246)
ExecutiveTenure	0.00347	0.00337	0.00332	0.00337	0.00333	0.00335
	(0.00240)	(0.00241)	(0.00240)	(0.00239)	(0.00241)	(0.00241)
ExecutiveOwnership	-0.710+	-0.717+	-0.742+	-0.753+	-0.724+	-0.720+
	(0.392)	(0.392)	(0.392)	(0.392)	(0.393)	(0.393)
InstitutionalOwnership	0.704***	0.710***	0.701***	0.700***	0.709***	0.708***
	(0.104)	(0.104)	(0.104)	(0.103)	(0.104)	(0.104)
FamilyFirm × FirmAge	-0.0796*					
	(0.0320)					
FamilyFirm × Debt		-0.101+				
		(0.0619)				
FamilyFirm × Growth			-0.0787*			
			(0.0345)			
FamilyFirm × MarketPerformance				-0.0622*		
				(0.0255)		
FamilyFirm ×					-0.699*	

StockPerformance						
					(0.334)	
FamilyFirm × *ExecutiveAge*						-0.00357+
						(0.00209)
Constant	7.778***	7.774***	7.776***	7.778***	7.774***	7.773***
	(0.0716)	(0.0717)	(0.0713)	(0.0713)	(0.0718)	(0.0718)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.641	0.640	0.641	0.641	0.640	0.640

Table 4.22 - Preliminary multivariate analysis of moderation effect of marketness logic orientation: Total compensation.

The results of preliminary OLS multivariate analysis. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
MarketFirm	0.123***	0.116***	0.119***	0.119***	0.119***	0.117***
	(0.0248)	(0.0245)	(0.0244)	(0.0238)	(0.0248)	(0.0245)
FirmSize	0.393***	0.391***	0.389***	0.390***	0.391***	0.391***
	(0.0125)	(0.0126)	(0.0127)	(0.0126)	(0.0125)	(0.0126)
FirmAge	0.0892**	0.0644**	0.0662**	0.0637**	0.0660**	0.0647**
	(0.0257)	(0.0243)	(0.0242)	(0.0241)	(0.0243)	(0.0243)
Debt	0.193+	0.237+	0.200+	0.197+	0.195+	0.200+
	(0.109)	(0.128)	(0.108)	(0.107)	(0.109)	(0.109)
Growth	0.0849*	0.0843*	0.0886*	0.0848*	0.0849*	0.0842*
	(0.0346)	(0.0347)	(0.0380)	(0.0340)	(0.0347)	(0.0347)
Risk	-0.210	-0.224	-0.254	-0.265	-0.235	-0.225
	(0.275)	(0.275)	(0.269)	(0.268)	(0.275)	(0.275)
MarketPerformance	0.0844**	0.0866***	0.0867***	0.0655**	0.0857***	0.0860***
	(0.0258)	(0.0260)	(0.0255)	(0.0254)	(0.0259)	(0.0260)
StockPerformance	1.818***	1.797***	1.756***	1.739***	1.401***	1.797***
	(0.312)	(0.312)	(0.310)	(0.309)	(0.353)	(0.313)
Duality	0.112***	0.110***	0.108***	0.109***	0.110***	0.110***
	(0.0262)	(0.0263)	(0.0262)	(0.0261)	(0.0262)	(0.0264)
BoardSize	0.0286***	0.0288***	0.0288***	0.0284***	0.0287***	0.0288***
	(0.00801)	(0.00803)	(0.00804)	(0.00803)	(0.00803)	(0.00802)
BoardIndependence	0.347*	0.341*	0.334*	0.336*	0.341*	0.337*
	(0.145)	(0.145)	(0.144)	(0.144)	(0.145)	(0.145)
ExecutiveAge	0.00457*	0.00461*	0.00464*	0.00470*	0.00455*	0.00518*
	(0.00205)	(0.00206)	(0.00206)	(0.00205)	(0.00205)	(0.00221)
ExecutiveTenure	0.00360	0.00343	0.00354	0.00361	0.00337	0.00346
	(0.00240)	(0.00241)	(0.00240)	(0.00239)	(0.00241)	(0.00241)
ExecutiveOwnership	-0.675+	-0.686+	-0.717+	-0.726+	-0.702+	-0.697+
	(0.394)	(0.393)	(0.394)	(0.396)	(0.393)	(0.394)
InstitutionalOwnership	0.712***	0.723***	0.711***	0.709***	0.715***	0.718***
	(0.104)	(0.104)	(0.104)	(0.103)	(0.104)	(0.104)
MarketFirm × FirmAge	0.135***					
	(0.0377)					
MarketFirm × Debt		0.189+				
		(0.109)				
MarketFirm × Growth			0.134**			
			(0.0441)			
MarketFirm × MarketPerformance				0.117***		
				(0.0322)		
MarketFirm × StockPerformance					1.687*	
					(0.809)	

MarketFirm × *ExecutiveAge*						0.00421*
						(0.00208)
Constant	7.712***	7.711***	7.724***	7.730***	7.710***	7.711***
	(0.0716)	(0.0728)	(0.0733)	(0.0731)	(0.0729)	(0.0729)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.642	0.640	0.642	0.643	0.641	0.640

Table 4.23 - Post-hoc regressions for other firms category (Hybrid firms and MLDFs) and FLDFs category: Total compensation.

The results of preliminary post-hoc analysis of the relationship between CG determinants and total compensation in firms other than FLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm_Other*** is an indicator variable that equals 1 for FLDF, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 otherwise; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***ExecutiveAge*** is the age of CEO. Lagged values are used.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
Panel A- Other firms category (Hybrid firms and MLDFs)						
FamilyFirm_Other	-0.118***	-0.162***	-0.162***	-0.154***	-0.159***	-0.154***
	(0.0350)	(0.0355)	(0.0358)	(0.0365)	(0.0365)	(0.0364)
FirmAge	0.387***					
	(0.0524)					
FamilyFirm_Other × FirmAge	-0.0644					
	(0.0660)					
Debt		1.503***				
		(0.200)				
FamilyFirm_Other × Debt		-0.393				
		(0.247)				
Growth			0.356***			
			(0.0444)			
FamilyFirm_Other × Growth			-0.182***			
			(0.0550)			
MarketPerformance				0.0807**		
				(0.0274)		
FamilyFirm_Other × MarketPerformance				-0.0840*		
				(0.0348)		
StockPerformance					2.580***	
					(0.637)	
FamilyFirm_Other × StockPerformance					-0.138	
					(0.923)	
ExecutiveAge						0.00778+
						(0.00402)
FamilyFirm_Other × ExecutiveAge						0.00610
						(0.00496)
Constant	7.863***	7.868***	7.899***	7.888***	7.878***	7.872***
	(0.132)	(0.133)	(0.147)	(0.145)	(0.144)	(0.145)
Panel B- FLDFs category						
FamilyFirm_Family	-0.118***	-0.162***	-0.162***	-0.154***	-0.159***	-0.154***
	(0.0350)	(0.0355)	(0.0358)	(0.0365)	(0.0365)	(0.0364)
FirmAge	0.323***					
	(0.0553)					
FamilyFirm_Family × FirmAge	-0.0644					
	(0.0660)					
Debt		1.110***				
		(0.204)				
FamilyFirm_Family × Debt		-0.393				
		(0.247)				
Growth			0.173***			
			(0.0442)			
FamilyFirm_Family × Growth			-0.182***			

			(0.0550)			
MarketPerformance				0.0635*		
				(0.0308)		
FamilyFirm_Family × *MarketPerformance*				-0.0840*		
				(0.0348)		
StockPerformance					2.442***	
					(0.649)	
FamilyFirm_Family × *StockPerformance*					-0.138	
					(0.923)	
ExecutiveAge						0.00568+
						(0.00325)
FamilyFirm_Family × *ExecutiveAge*						0.00610
						(0.00496)
Constant	7.745***	7.707***	7.737***	7.734***	7.719***	7.718***
	(0.133)	(0.134)	(0.147)	(0.146)	(0.145)	(0.145)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.157	0.147	0.149	0.107	0.106	0.103

Table 4.24 - Post-hoc regressions for other firms category (Hybrid firms and FLDFs) and MLDFs category: Total compensation.

The results of preliminary post-hoc analysis of the relationship between CG determinants and total compensation in firms other than MLDFs -Panel A- and MLDFs -Panel B. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***MarketFirm_Other*** is an indicator variable that equals 1 for MLDF, and 0 otherwise; ***MarketFirm_Market*** is an indicator variable that equals 0 for MLDF, and -1 otherwise; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***ExecutiveAge*** is the age of CEO. Lagged values are used.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
Panel A- Other firms category (Hybrid firms and FLDFs)						
MarketFirm_Other	0.137**	0.179***	0.195***	0.183***	0.188***	0.174***
	(0.0447)	(0.0464)	(0.0449)	(0.0474)	(0.0482)	(0.0484)
FirmAge	0.339***					
	(0.0433)					
MarketFirm_Other × FirmAge	0.108					
	(0.0818)					
Debt		1.205***				
		(0.170)				
MarketFirm_Other × Debt		0.555+				
		(0.322)				
Growth			0.215***			
			(0.0371)			
MarketFirm_Other × Growth			0.303***			
			(0.0609)			
MarketPerformance				0.171***		
				(0.0241)		
MarketFirm_Other × MarketPerformance				0.186***		
				(0.0378)		
StockPerformance					2.035***	
					(0.476)	
MarketFirm_Other × StockPerformance					2.359+	
					(1.239)	
ExecutiveAge						0.00680+
						(0.00359)
MarketFirm_Other × ExecutiveAge						-0.00292
						(0.00756)
Constant	7.784***	7.764***	7.817***	7.809***	7.771***	7.772***
	(0.131)	(0.134)	(0.148)	(0.149)	(0.145)	(0.146)
Panel B- MLDFs category						
MarketFirm_Market	0.137**	0.179***	0.195***	0.183***	0.188***	0.174***
	(0.0447)	(0.0464)	(0.0449)	(0.0474)	(0.0482)	(0.0484)
FirmAge	0.447***					
	(0.0818)					
MarketFirm_Market × FirmAge	0.108					
	(0.0818)					
Debt		1.760***				
		(0.313)				
MarketFirm_Market × Debt		0.555+				
		(0.322)				
Growth			0.518***			
			(0.0576)			
MarketFirm_Market × Growth			0.303***			

			(0.0609)			
MarketPerformance				0.197***		
				(0.0365)		
MarketFirm_Market × *MarketPerformance*				0.186***		
				(0.0378)		
StockPerformance					4.394***	
					(1.145)	
MarketFirm_Market × *StockPerformance*					2.359+	
					(1.239)	
ExecutiveAge						0.00751+
						(0.00426)
MarketFirm_Market × *ExecutiveAge*						-0.00292
						(0.00756)
Constant	7.920***	7.943***	8.012***	7.992***	7.959***	7.946***
	(0.135)	(0.140)	(0.154)	(0.154)	(0.150)	(0.151)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.158	0.145	0.152	0.111	0.106	0.102

Table 4.25 - Robustness test (Random-effects estimation, Moderation effect of familiness logic orientation): Total compensation.

The results of random-effects estimation robustness test. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
FamilyFirm	-0.0317*	-0.0313*	-0.0319*	-0.0318*	-0.0312*	-0.0315*
	(0.0131)	(0.0132)	(0.0132)	(0.0131)	(0.0130)	(0.0131)
FirmSize	0.315***	0.315***	0.315***	0.315***	0.315***	0.315***
	(0.0129)	(0.0129)	(0.0129)	(0.0129)	(0.0129)	(0.0129)
FirmAge	0.0477+	0.0433+	0.0437+	0.0434+	0.0437+	0.0435+
	(0.0257)	(0.0240)	(0.0240)	(0.0240)	(0.0240)	(0.0240)
Debt	0.159*	0.177+	0.159*	0.159*	0.159*	0.159*
	(0.0804)	(0.0920)	(0.0805)	(0.0804)	(0.0805)	(0.0805)
Growth	0.0568*	0.0561*	0.0610*	0.0564*	0.0560*	0.0562*
	(0.0261)	(0.0261)	(0.0279)	(0.0261)	(0.0261)	(0.0261)
Risk	-0.385*	-0.384*	-0.385*	-0.383*	-0.389*	-0.383*
	(0.183)	(0.183)	(0.183)	(0.183)	(0.183)	(0.183)
MarketPerformance	0.0428*	0.0430*	0.0431*	0.0483**	0.0427*	0.0430*
	(0.0183)	(0.0183)	(0.0183)	(0.0181)	(0.0182)	(0.0183)
StockPerformance	1.389***	1.386***	1.384***	1.379***	1.583***	1.389***
	(0.256)	(0.256)	(0.255)	(0.255)	(0.337)	(0.256)
Duality	0.0889***	0.0884***	0.0882***	0.0883***	0.0885***	0.0884***
	(0.0185)	(0.0185)	(0.0185)	(0.0185)	(0.0184)	(0.0185)
BoardSize	0.0117+	0.0117+	0.0117+	0.0117+	0.0117+	0.0118+
	(0.00627)	(0.00627)	(0.00627)	(0.00627)	(0.00627)	(0.00627)
BoardIndependence	0.340***	0.340***	0.341***	0.342***	0.341***	0.339***
	(0.0952)	(0.0953)	(0.0952)	(0.0951)	(0.0954)	(0.0953)
ExecutiveAge	0.00764***	0.00765***	0.00764***	0.00763***	0.00761***	0.00729***
	(0.00149)	(0.00149)	(0.00149)	(0.00149)	(0.00149)	(0.00167)
ExecutiveTenure	0.000858	0.000833	0.000848	0.000853	0.000849	0.000845
	(0.00179)	(0.00179)	(0.00179)	(0.00179)	(0.00179)	(0.00180)
ExecutiveOwnership	-0.974**	-0.972**	-0.972**	-0.975**	-0.974**	-0.972**
	(0.318)	(0.319)	(0.319)	(0.319)	(0.319)	(0.319)
InstitutionalOwnership	0.271**	0.273**	0.271**	0.271**	0.272**	0.272**
	(0.0887)	(0.0889)	(0.0891)	(0.0890)	(0.0888)	(0.0888)
FamilyFirm × *FirmAge*	-0.0314+					
	(0.0195)					
FamilyFirm × *Debt*		-0.106+				
		(0.0623)				
FamilyFirm × *Growth*			-0.0420+			
			(0.0219)			
FamilyFirm × *MarketPerformance*				-0.0227+		
				(0.0140)		
FamilyFirm ×					-0.974*	

StockPerformance						
					(0.482)	
FamilyFirm × ExecutiveAge						-0.00410*
						(0.00185)
Constant	7.806***	7.806***	7.806***	7.806***	7.806***	7.806***
	(0.0793)	(0.0798)	(0.0797)	(0.0798)	(0.0797)	(0.0797)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4.26 - Robustness test (Random-effects estimation, Moderation effect of marketness logic orientation): Total compensation.

The results of random-effects estimation robustness test. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
MarketFirm	0.0241+	0.0240+	0.0239+	0.0235+	0.0229+	0.0244+
	(0.0139)	(0.0137)	(0.0137)	(0.0137)	(0.0138)	(0.0136)
FirmSize	0.316***	0.315***	0.315***	0.315***	0.316***	0.315***
	(0.0129)	(0.0129)	(0.0130)	(0.0129)	(0.0129)	(0.0129)
FirmAge	0.0481+	0.0434+	0.0456+	0.0444+	0.0445+	0.0437+
	(0.0249)	(0.0240)	(0.0240)	(0.0240)	(0.0240)	(0.0240)
Debt	0.156+	0.150+	0.155+	0.156+	0.155+	0.157+
	(0.0803)	(0.0855)	(0.0802)	(0.0802)	(0.0804)	(0.0804)
Growth	0.0561*	0.0559*	0.0523+	0.0543*	0.0558*	0.0558*
	(0.0261)	(0.0261)	(0.0266)	(0.0260)	(0.0262)	(0.0261)
Risk	-0.381*	-0.381*	-0.389*	-0.393*	-0.394*	-0.384*
	(0.182)	(0.182)	(0.182)	(0.182)	(0.183)	(0.182)
MarketPerformance	0.0435*	0.0432*	0.0432*	0.0341+	0.0430*	0.0434*
	(0.0183)	(0.0183)	(0.0182)	(0.0188)	(0.0183)	(0.0182)
StockPerformance	1.405***	1.393***	1.388***	1.397***	1.169***	1.401***
	(0.256)	(0.256)	(0.254)	(0.254)	(0.277)	(0.256)
Duality	0.0890***	0.0880***	0.0876***	0.0877***	0.0883***	0.0883***
	(0.0184)	(0.0184)	(0.0184)	(0.0184)	(0.0184)	(0.0184)
BoardSize	0.0119+	0.0117+	0.0118+	0.0117+	0.0118+	0.0119+
	(0.00628)	(0.00627)	(0.00626)	(0.00626)	(0.00628)	(0.00628)
BoardIndependence	0.339***	0.339***	0.336***	0.339***	0.339***	0.336***
	(0.0954)	(0.0954)	(0.0951)	(0.0952)	(0.0954)	(0.0955)
ExecutiveAge	0.00761***	0.00760***	0.00768***	0.00765***	0.00756***	0.00805***
	(0.00149)	(0.00149)	(0.00149)	(0.00149)	(0.00149)	(0.00160)
ExecutiveTenure	0.000921	0.000855	0.000941	0.000961	0.000834	0.000895
	(0.00179)	(0.00179)	(0.00179)	(0.00179)	(0.00179)	(0.00179)
ExecutiveOwnership	-0.959**	-0.968**	-0.976**	-0.976**	-0.969**	-0.971**
	(0.321)	(0.320)	(0.320)	(0.321)	(0.318)	(0.320)
InstitutionalOwnership	0.273**	0.273**	0.264**	0.264**	0.272**	0.273**
	(0.0887)	(0.0890)	(0.0892)	(0.0891)	(0.0890)	(0.0888)
MarketFirm × *FirmAge*	0.0551*					
	(0.0258)					
MarketFirm × *Debt*		0.0984+				
		(0.0610)				
MarketFirm × *Growth*			0.0619**			
			(0.0217)			
MarketFirm × *MarketPerformance*				0.0475***		
				(0.0142)		
MarketFirm ×					1.009+	

StockPerformance						
					(0.518)	
MarketFirm × ExecutiveAge						0.00210+
						(0.00121)
Constant	7.796***	7.796***	7.800***	7.803***	7.796***	7.796***
	(0.0792)	(0.0797)	(0.0799)	(0.0801)	(0.0797)	(0.0799)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4.27 - Robustness test (Dynamic estimation, Moderation effect of familiness logic orientation): Total compensation.

The results of dynamic estimation robustness test. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
FamilyFirm	-0.0372***	-0.0369***	-0.0371***	-0.0369***	-0.0366**	-0.0369***
	(0.0111)	(0.0111)	(0.0111)	(0.0111)	(0.0111)	(0.0111)
FirmSize	0.133***	0.132***	0.132***	0.133***	0.132***	0.132***
	(0.00891)	(0.00892)	(0.00889)	(0.00886)	(0.00891)	(0.00892)
FirmAge	0.0454**	0.0288**	0.0299**	0.0291**	0.0299**	0.0293**
	(0.0138)	(0.0103)	(0.0103)	(0.0102)	(0.0103)	(0.0103)
Debt	0.0999*	0.0792+	0.100*	0.0973*	0.0974*	0.0981*
	(0.0487)	(0.0419)	(0.0486)	(0.0485)	(0.0487)	(0.0486)
Growth	0.0321+	0.0322+	0.0396*	0.0321+	0.0320+	0.0322+
	(0.0169)	(0.0167)	(0.0188)	(0.0167)	(0.0167)	(0.0168)
Risk	-0.410**	-0.409**	-0.419**	-0.419**	-0.416**	-0.413**
	(0.156)	(0.156)	(0.156)	(0.156)	(0.156)	(0.156)
MarketPerformance	0.0305*	0.0313**	0.0314**	0.0401**	0.0308*	0.0314**
	(0.0120)	(0.0119)	(0.0118)	(0.0132)	(0.0120)	(0.0120)
StockPerformance	1.448***	1.443***	1.440***	1.433***	1.769***	1.441***
	(0.274)	(0.274)	(0.273)	(0.273)	(0.377)	(0.274)
Duality	0.0521***	0.0517***	0.0505***	0.0511***	0.0512***	0.0509***
	(0.0124)	(0.0124)	(0.0124)	(0.0124)	(0.0124)	(0.0124)
BoardSize	0.0122***	0.0122***	0.0122***	0.0122**	0.0123***	0.0123***
	(0.00370)	(0.00370)	(0.00370)	(0.00370)	(0.00369)	(0.00369)
BoardIndependence	0.178**	0.174**	0.174**	0.174**	0.175**	0.175**
	(0.0653)	(0.0650)	(0.0650)	(0.0650)	(0.0652)	(0.0652)
ExecutiveAge	0.00231*	0.00234*	0.00234*	0.00234*	0.00230*	0.00301*
	(0.000922)	(0.000924)	(0.000925)	(0.000925)	(0.000924)	(0.00130)
ExecutiveTenure	0.000308	0.000280	0.000243	0.000266	0.000222	0.000263
	(0.00102)	(0.00102)	(0.00102)	(0.00102)	(0.00102)	(0.00102)
ExecutiveOwnership	-0.277	-0.279	-0.291+	-0.292+	-0.287+	-0.277
	(0.171)	(0.171)	(0.171)	(0.171)	(0.171)	(0.171)
InstitutionalOwnership	0.282***	0.286***	0.282***	0.282***	0.283***	0.285***
	(0.0491)	(0.0491)	(0.0493)	(0.0493)	(0.0491)	(0.0491)
(lag) TotalComp	0.631***	0.632***	0.631***	0.630***	0.631***	0.632***
	(0.0184)	(0.0184)	(0.0183)	(0.0183)	(0.0184)	(0.0183)
FamilyFirm × FirmAge	-0.0348+					
	(0.0200)					
FamilyFirm × Debt		-0.0684+				
		(0.0403)				
FamilyFirm × Growth			-0.0229*			
			(0.0104)			
FamilyFirm × MarketPerformance				-0.0206+		

				(0.0111)		
FamilyFirm × *StockPerformance*					-0.793*	
					(0.354)	
FamilyFirm × *ExecutiveAge*						-0.00192+
						(0.00112)
Constant	2.897***	2.890***	2.898***	2.902***	2.890***	2.888***
	(0.146)	(0.146)	(0.145)	(0.145)	(0.146)	(0.146)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.783	0.783	0.783	0.783	0.783	0.783

Table 4.28 - Robustness test (Dynamic estimation, Moderation effect of marketness logic orientation): Total compensation.

The results of dynamic estimation robustness test. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
MarketFirm	0.0542***	0.0514***	0.0532***	0.0531***	0.0543***	0.0508***
	(0.0134)	(0.0131)	(0.0130)	(0.0129)	(0.0132)	(0.0131)
FirmSize	0.134***	0.133***	0.133***	0.134***	0.133***	0.133***
	(0.00889)	(0.00888)	(0.00881)	(0.00875)	(0.00883)	(0.00887)
FirmAge	0.0191+	0.0285**	0.0295**	0.0282**	0.0298**	0.0284**
	(0.0112)	(0.0103)	(0.0103)	(0.0103)	(0.0103)	(0.0103)
Debt	0.0974*	0.104*	0.101*	0.0950*	0.0960*	0.0978*
	(0.0486)	(0.0523)	(0.0483)	(0.0483)	(0.0484)	(0.0485)
Growth	0.0320+	0.0321+	0.0383*	0.0320+	0.0322+	0.0320+
	(0.0168)	(0.0167)	(0.0179)	(0.0167)	(0.0166)	(0.0168)
Risk	-0.408**	-0.414**	-0.431**	-0.435**	-0.426**	-0.411**
	(0.155)	(0.155)	(0.153)	(0.153)	(0.155)	(0.155)
MarketPerformance	0.0320**	0.0327**	0.0330**	0.0221+	0.0322**	0.0325**
	(0.0119)	(0.0120)	(0.0117)	(0.0120)	(0.0119)	(0.0120)
StockPerformance	1.479***	1.470***	1.450***	1.443***	1.105***	1.465***
	(0.273)	(0.273)	(0.271)	(0.271)	(0.295)	(0.273)
Duality	0.0521***	0.0512***	0.0505***	0.0510***	0.0510***	0.0508***
	(0.0124)	(0.0123)	(0.0123)	(0.0123)	(0.0123)	(0.0123)
BoardSize	0.0120**	0.0120**	0.0121**	0.0119**	0.0119**	0.0120**
	(0.00371)	(0.00370)	(0.00373)	(0.00374)	(0.00371)	(0.00370)
BoardIndependence	0.175**	0.172**	0.168**	0.170**	0.171**	0.176**
	(0.0655)	(0.0654)	(0.0652)	(0.0654)	(0.0655)	(0.0658)
ExecutiveAge	0.00227*	0.00228*	0.00231*	0.00234*	0.00224*	0.00193+
	(0.000927)	(0.000926)	(0.000931)	(0.000933)	(0.000925)	(0.00101)
ExecutiveTenure	0.000353	0.000285	0.000356	0.000394	0.000233	0.000269
	(0.00102)	(0.00102)	(0.00102)	(0.00102)	(0.00102)	(0.00102)
ExecutiveOwnership	-0.263	-0.267	-0.284+	-0.289+	-0.279	-0.263
	(0.172)	(0.172)	(0.173)	(0.174)	(0.172)	(0.171)
InstitutionalOwnership	0.287***	0.290***	0.285***	0.286***	0.285***	0.291***
	(0.0494)	(0.0496)	(0.0493)	(0.0494)	(0.0495)	(0.0495)
(lag) TotalComp	0.630***	0.631***	0.629***	0.627***	0.631***	0.631***
	(0.0183)	(0.0183)	(0.0181)	(0.0181)	(0.0182)	(0.0182)
MarketFirm × FirmAge	0.0501*					
	(0.0219)					
MarketFirm × Debt		0.0741+				
		(0.0432)				
MarketFirm × Growth			0.0745***			
			(0.0220)			
MarketFirm × MarketPerformance				0.0612***		
				(0.0147)		

MarketFirm × *StockPerformance*					1.569*	
					(0.694)	
MarketFirm × *ExecutiveAge*						0.00190+
						(0.00105)
Constant	2.877***	2.867***	2.888***	2.903***	2.867***	2.862***
	(0.145)	(0.144)	(0.144)	(0.144)	(0.144)	(0.144)
Observations	5265	5265	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.783	0.783	0.784	0.784	0.784	0.783

Table 4.29 - Robustness test (Reduced sample): Total compensation.

The results of OLS multivariate analysis using a reduced sample, excluding hybrid firms. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
FamilyFirm	-0.216***	-0.210***	-0.210***	-0.207***	-0.213***	-0.211***
	(0.0365)	(0.0360)	(0.0358)	(0.0352)	(0.0361)	(0.0360)
FirmSize	0.395***	0.392***	0.388***	0.389***	0.392***	0.393***
	(0.0165)	(0.0166)	(0.0170)	(0.0171)	(0.0166)	(0.0167)
FirmAge	0.153**	0.0651*	0.0681*	0.0635*	0.0681*	0.0662*
	(0.0489)	(0.0315)	(0.0314)	(0.0311)	(0.0315)	(0.0314)
Debt	0.224+	0.286*	0.228+	0.224+	0.229+	0.221+
	(0.113)	(0.131)	(0.119)	(0.117)	(0.113)	(0.116)
Growth	0.0614*	0.0612*	0.0676**	0.0619*	0.0617*	0.0610*
	(0.0258)	(0.0257)	(0.0221)	(0.0256)	(0.0258)	(0.0256)
Risk	-0.255	-0.271	-0.323	-0.347	-0.305	-0.274
	(0.415)	(0.416)	(0.402)	(0.403)	(0.416)	(0.415)
MarketPerformance	0.0668+	0.0695+	0.0673+	0.170**	0.0665	0.0692+
	(0.0406)	(0.0408)	(0.0397)	(0.0515)	(0.0407)	(0.0408)
StockPerformance	1.380**	1.361**	1.273*	1.206*	3.294***	1.365**
	(0.526)	(0.526)	(0.518)	(0.522)	(0.960)	(0.524)
Duality	0.104**	0.1000**	0.0978**	0.102**	0.100**	0.102**
	(0.0331)	(0.0330)	(0.0332)	(0.0331)	(0.0332)	(0.0334)
BoardSize	0.0215*	0.0218*	0.0221*	0.0214*	0.0215*	0.0220*
	(0.0103)	(0.0103)	(0.0104)	(0.0105)	(0.0103)	(0.0103)
BoardIndependence	0.257	0.257	0.234	0.231	0.258	0.241
	(0.197)	(0.195)	(0.191)	(0.192)	(0.195)	(0.193)
ExecutiveAge	0.00408+	0.00426+	0.00413+	0.00417+	0.00420+	0.00429*
	(0.00253)	(0.00253)	(0.00253)	(0.00254)	(0.00254)	(0.00208)
ExecutiveTenure	0.00293	0.00269	0.00297	0.00320	0.00268	0.00266
	(0.00283)	(0.00283)	(0.00281)	(0.00278)	(0.00282)	(0.00282)
ExecutiveOwnership	-0.649	-0.672	-0.725	-0.719	-0.707	-0.681
	(0.464)	(0.461)	(0.463)	(0.467)	(0.463)	(0.467)
InstitutionalOwnership	0.654***	0.662***	0.626***	0.626***	0.649***	0.656***
	(0.135)	(0.135)	(0.137)	(0.136)	(0.135)	(0.136)
FamilyFirm × FirmAge	-0.120*					
	(0.0596)					
FamilyFirm × Debt		-0.115*				
		(0.0492)				
FamilyFirm × Growth			-0.156*			
			(0.0678)			
FamilyFirm × MarketPerformance				-0.135**		
				(0.0489)		
FamilyFirm × StockPerformance					-2.953**	
					(1.142)	

FamilyFirm × *ExecutiveAge*						-0.00364+
						(0.00240)
Constant	7.672***	7.664***	7.683***	7.684***	7.664***	7.670***
	(0.106)	(0.107)	(0.108)	(0.109)	(0.106)	(0.108)
Observations	2219	2219	2219	2219	2219	2219
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.635	0.634	0.637	0.639	0.636	0.634

Table 4.30 - Post-hoc regressions for MLDFs category and FLDFs category: Total compensation.

The results of robustness post-hoc analysis of the relationship between CG determinants and total compensation in MLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm_Market*** is an indicator variable that equals 1 for FLDF, and 0 for MLDF; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 for MLDF; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***ExecutiveAge*** is the age of CEO. Lagged values are used.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
Panel A- MLDFs category						
FamilyFirm_Market	-0.228***	-0.300***	-0.283***	-0.275***	-0.295***	-0.281***
	(0.0683)	(0.0694)	(0.0695)	(0.0726)	(0.0731)	(0.0730)
FirmAge	0.475***					
	(0.108)					
FamilyFirm_Market × *FirmAge*	-0.175					
	(0.125)					
Debt		2.127***				
		(0.446)				
FamilyFirm_Market × *Debt*		-1.118*				
		(0.500)				
Growth			0.555***			
			(0.0743)			
FamilyFirm_Market × *Growth*			-0.428***			
			(0.0889)			
MarketPerformance				0.309***		
				(0.0365)		
FamilyFirm_Market × *MarketPerformance*				-0.242***		
				(0.0583)		
StockPerformance					4.889**	
					(1.560)	
FamilyFirm_Market × *StockPerformance*					-3.740*	
					(1.738)	
ExecutiveAge						0.00687+
						(0.00374)
FamilyFirm_Market × *ExecutiveAge*						0.00579
						(0.0119)
Constant	7.784***	7.791***	7.904***	7.873***	7.833***	7.819***
	(0.178)	(0.191)	(0.219)	(0.209)	(0.199)	(0.197)
Panel B- FLDFs category						
FamilyFirm_Family	-0.228***	-0.300***	-0.283***	-0.275***	-0.295***	-0.281***
	(0.0683)	(0.0694)	(0.0695)	(0.0726)	(0.0731)	(0.0730)
FirmAge	0.300***					
	(0.0653)					
FamilyFirm_Family × *FirmAge*	-0.175					
	(0.125)					
Debt		1.009***				
		(0.232)				
FamilyFirm_Family × *Debt*		-1.118*				
		(0.500)				
Growth			0.128*			
			(0.0540)			
FamilyFirm_Family × *Growth*			-0.428***			

			(0.0889)			
MarketPerformance				0.211***		
				(0.0481)		
FamilyFirm_Family × *MarketPerformance*				-0.242***		
				(0.0583)		
StockPerformance					3.148*	
					(1.316)	
FamilyFirm_Family × *StockPerformance*					-3.740*	
					(1.738)	
ExecutiveAge						0.00408+
						(0.00213)
FamilyFirm_Family × *ExecutiveAge*						0.00579
						(0.0119)
Constant	7.556***	7.491***	7.621***	7.597***	7.538***	7.538***
	(0.176)	(0.189)	(0.216)	(0.206)	(0.197)	(0.196)
Observations	2219	2219	2219	2219	2219	2219
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.186	0.182	0.186	0.150	0.139	0.134

Table 4.31 - Preliminary multivariate analysis of moderation effect of familiness logic orientation: Equity-based compensation.

The results of preliminary OLS multivariate analysis. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
FamilyFirm	-0.187**	-0.187**	-0.187**	-0.184**
	(0.0710)	(0.0710)	(0.0708)	(0.0705)
FirmSize	0.554***	0.555***	0.552***	0.554***
	(0.0408)	(0.0407)	(0.0408)	(0.0406)
FirmAge	0.194*	0.197*	0.200*	0.192*
	(0.0985)	(0.0811)	(0.0815)	(0.0806)
Debt	0.148+	0.159+	0.147+	0.149+
	(0.0921)	(0.0961)	(0.0920)	(0.0921)
Growth	0.633***	0.539***	0.630***	0.636***
	(0.128)	(0.141)	(0.127)	(0.126)
Risk	-0.534	-0.528	-0.572	-0.532
	(0.852)	(0.851)	(0.851)	(0.851)
MarketPerformance	0.153+	0.153+	1.530	0.153+
	(0.0900)	(0.0890)	(1.124)	(0.0887)
StockPerformance	1.562	1.559	0.153+	1.525
	(1.128)	(1.127)	(0.0880)	(1.128)
Duality	0.189*	0.190*	0.184*	0.188*
	(0.0883)	(0.0886)	(0.0883)	(0.0888)
BoardSize	0.0493+	0.0492+	0.0491+	0.0495+
	(0.0293)	(0.0293)	(0.0293)	(0.0294)
BoardIndependence	2.360***	2.360***	2.355***	1.905***
	(0.460)	(0.461)	(0.460)	(0.516)
ExecutiveAge	-0.00177	-0.00178	-0.00180	-0.00190
	(0.00630)	(0.00630)	(0.00631)	(0.00629)
ExecutiveTenure	-0.0163+	-0.0164+	-0.0162+	-0.0166+
	(0.00857)	(0.00860)	(0.00856)	(0.00857)
ExecutiveOwnership	-2.624*	-2.623*	-2.680*	-2.630*
	(1.303)	(1.304)	(1.302)	(1.304)
InstitutionalOwnership	1.791***	1.793***	1.772***	1.785***
	(0.400)	(0.400)	(0.400)	(0.400)
FamilyFirm × FirmAge	-0.136+			
	(0.0810)			
FamilyFirm × Debt		-0.123*		
		(0.0479)		
FamilyFirm × Growth			-0.267*	
			(0.110)	
FamilyFirm × BoardIndependence				-1.071*
				(0.456)
Constant	6.156***	6.157***	6.161***	6.171***
	(0.263)	(0.262)	(0.262)	(0.264)
Observations	5265	5265	5265	5265

Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.329	0.329	0.330	0.330

Table 4.32 - Preliminary multivariate analysis of moderation effect of marketness logic orientation: Equity-based compensation.

The results of preliminary OLS multivariate analysis. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
MarketFirm	0.203*	0.193*	0.197*	0.200*
	(0.0822)	(0.0824)	(0.0827)	(0.0832)
FirmSize	0.560***	0.558***	0.554***	0.558***
	(0.0408)	(0.0405)	(0.0409)	(0.0407)
FirmAge	0.156+	0.190*	0.193*	0.189*
	(0.0843)	(0.0808)	(0.0812)	(0.0804)
Debt	0.149+	0.163+	0.147+	0.148+
	(0.0922)	(0.0959)	(0.0920)	(0.0921)
Growth	0.636***	0.541***	0.631***	0.634***
	(0.128)	(0.149)	(0.127)	(0.127)
Risk	-0.452	-0.479	-0.511	-0.476
	(0.852)	(0.852)	(0.851)	(0.852)
MarketPerformance	0.157+	0.161+	1.547	0.159+
	(0.0901)	(0.0898)	(1.124)	(0.0897)
StockPerformance	1.629	1.613	0.160+	1.609
	(1.128)	(1.131)	(0.0893)	(1.130)
Duality	0.191*	0.189*	0.186*	0.187*
	(0.0885)	(0.0889)	(0.0886)	(0.0888)
BoardSize	0.0483	0.0485	0.0485	0.0481
	(0.0295)	(0.0295)	(0.0295)	(0.0295)
BoardIndependence	2.371***	2.360***	2.353***	2.525***
	(0.464)	(0.466)	(0.465)	(0.491)
ExecutiveAge	-0.00204	-0.00197	-0.00195	-0.00219
	(0.00631)	(0.00632)	(0.00633)	(0.00630)
ExecutiveTenure	-0.0167+	-0.0165+	-0.0166+	-0.0165+
	(0.00863)	(0.00865)	(0.00866)	(0.00863)
ExecutiveOwnership	-2.553*	-2.561*	-2.610*	-2.575*
	(1.301)	(1.296)	(1.298)	(1.293)
InstitutionalOwnership	1.796***	1.818***	1.795***	1.798***
	(0.400)	(0.401)	(0.400)	(0.401)
MarketFirm × FirmAge	0.184*			
	(0.0812)			
MarketFirm × Debt		0.150**		
		(0.0512)		
MarketFirm × Growth			0.185+	
			(0.111)	
MarketFirm × BoardIndependence				0.977*
				(0.425)
Constant	6.041***	6.041***	6.057***	6.047***
	(0.269)	(0.269)	(0.270)	(0.270)
Observations	5265	5265	5265	5265

Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.329	0.329	0.329	0.329

Table 4.33 - Post-hoc regressions for other firms category (Hybrid firms and MLDFs) and FLDFs category: Equity-based compensation.

The results of preliminary post-hoc analysis of the relationship between CG determinants and equity-based compensation in firms other than FLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm_Other*** is an indicator variable that equals 1 for FLDF, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 otherwise; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. Lagged values are used.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
Panel A- Other firms category (Hybrid firms and MLDFs)				
FamilyFirm_Other	-0.250**	-0.307***	-0.308***	-0.235**
	(0.0833)	(0.0817)	(0.0817)	(0.0786)
FirmAge	0.559***			
	(0.111)			
FamilyFirm_Other × FirmAge	-0.271+			
	(0.149)			
Debt		2.424***		
		(0.404)		
FamilyFirm_Other × Debt		-0.552		
		(0.593)		
Growth			0.623***	
			(0.0823)	
FamilyFirm_Other × Growth			-0.332*	
			(0.133)	
BoardIndependence				5.238***
				(0.817)
FamilyFirm_Other × BoardIndependence				0.512
				(0.900)
Constant	6.292***	6.311***	6.362***	6.262***
	(0.360)	(0.357)	(0.371)	(0.332)
Panel B- FLDFs category				
FamilyFirm_Family	-0.250**	-0.307***	-0.308***	-0.235**
	(0.0833)	(0.0817)	(0.0817)	(0.0786)
FirmAge	0.288*			
	(0.127)			
FamilyFirm_Family × FirmAge	-0.271+			
	(0.149)			
Debt		1.872***		
		(0.517)		
FamilyFirm_Family × Debt		-0.552		
		(0.593)		
Growth			0.291*	
			(0.128)	
FamilyFirm_Family × Growth			-0.332*	
			(0.133)	
BoardIndependence				4.726***
				(0.665)
FamilyFirm_Family × BoardIndependence				0.512
				(0.900)
Constant	6.042***	6.004***	6.054***	6.027***
	(0.364)	(0.359)	(0.374)	(0.336)
Observations	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0873	0.0925	0.0966	0.139

Table 4.34 - Post-hoc regressions for other firms category (Hybrid firms and FLDFs) and MLDFs category: Equity-based compensation.

The results of preliminary post-hoc analysis of the relationship between CG determinants and equity-based compensation in firms other than MLDFs -Panel A- and MLDFs -Panel B. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***MarketFirm_Other*** is an indicator variable that equals 1 for MLDF, and 0 otherwise; ***MarketFirm_Market*** is an indicator variable that equals 0 for MLDF, and -1 otherwise; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. Lagged values are used.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
Panel A- Other firms category (Hybrid firms and FLDFs)				
MarketFirm_Other	0.241*	0.298**	0.324**	0.220*
	(0.102)	(0.102)	(0.101)	(0.103)
FirmAge	0.408***			
	(0.0979)			
MarketFirm _Other × FirmAge	0.194			
	(0.168)			
Debt		2.039***		
		(0.393)		
MarketFirm _Other × Debt		0.572		
		(0.679)		
Growth			0.394***	
			(0.0929)	
MarketFirm _Other × Growth			0.423**	
			(0.134)	
BoardIndependence				4.941***
				(0.612)
MarketFirm _Other × BoardIndependence				0.0601
				(1.131)
Constant	6.152***	6.127***	6.205***	6.113***
	(0.364)	(0.360)	(0.376)	(0.334)
Panel B- MLDFs category				
MarketFirm_Market	0.241*	0.298**	0.324**	0.220*
	(0.102)	(0.102)	(0.101)	(0.103)
FirmAge	0.602***			
	(0.163)			
MarketFirm_Market × FirmAge	0.194			
	(0.168)			
Debt		2.611***		
		(0.618)		
MarketFirm_Market × Debt		0.572		
		(0.679)		
Growth			0.817***	
			(0.113)	
MarketFirm_Market × Growth			0.423**	
			(0.134)	
BoardIndependence				5.001***
				(1.111)
MarketFirm_Market × BoardIndependence				0.0601
				(1.131)
Constant	6.393***	6.425***	6.530***	6.334***
	(0.368)	(0.367)	(0.384)	(0.341)
Observations	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0852	0.0902	0.0951	0.137

Table 4.35 - Robustness test (Random-effects estimation, Moderation effect of familiness logic orientation): Equity-based compensation.

The results of random-effects estimation robustness test. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
FamilyFirm	-0.0945*	-0.0964*	-0.0971*	-0.0963*
	(0.0429)	(0.0427)	(0.0430)	(0.0419)
FirmSize	0.495***	0.495***	0.495***	0.496***
	(0.0370)	(0.0369)	(0.0370)	(0.0369)
FirmAge	0.189*	0.177*	0.176*	0.176*
	(0.0851)	(0.0770)	(0.0770)	(0.0768)
Debt	0.0868+	0.0896+	0.0862+	0.0860+
	(0.0504)	(0.0532)	(0.0503)	(0.0503)
Growth	0.166+	0.168+	0.193*	0.168+
	(0.0923)	(0.0924)	(0.0962)	(0.0925)
Risk	-0.590	-0.600	-0.595	-0.589
	(0.758)	(0.759)	(0.758)	(0.758)
MarketPerformance	0.118*	0.117*	0.117*	0.118*
	(0.0586)	(0.0586)	(0.0585)	(0.0588)
StockPerformance	1.045	1.056	1.041	1.057
	(0.929)	(0.930)	(0.928)	(0.930)
Duality	0.177**	0.178**	0.178**	0.179**
	(0.0626)	(0.0626)	(0.0627)	(0.0627)
BoardSize	0.0176	0.0176	0.0174	0.0175
	(0.0236)	(0.0236)	(0.0236)	(0.0236)
BoardIndependence	1.753***	1.754***	1.756***	1.813***
	(0.359)	(0.359)	(0.359)	(0.393)
ExecutiveAge	-0.00568	-0.00567	-0.00561	-0.00564
	(0.00563)	(0.00561)	(0.00562)	(0.00561)
ExecutiveTenure	-0.00796	-0.00801	-0.00809	-0.00801
	(0.00743)	(0.00744)	(0.00744)	(0.00744)
ExecutiveOwnership	-5.338***	-5.338***	-5.348***	-5.344***
	(1.617)	(1.618)	(1.617)	(1.616)
InstitutionalOwnership	1.208***	1.203***	1.195***	1.205***
	(0.334)	(0.334)	(0.335)	(0.334)
FamilyFirm × FirmAge	-0.132+			
	(0.0742)			
FamilyFirm × Debt		-0.0680*		
		(0.0311)		
FamilyFirm × Growth			-0.0869+	
			(0.0512)	
FamilyFirm × BoardIndependence				-0.753+
				(0.443)
Constant	6.037***	6.035***	6.039***	6.037***
	(0.297)	(0.297)	(0.296)	(0.297)
Observations	5265	5265	5265	5265

Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.36 - Robustness test (Random-effects estimation, Moderation effect of marketness logic orientation): Equity-based compensation.

The results of random-effects estimation robustness test. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
MarketFirm	0.0941+	0.0861+	0.0864+	0.0891+
	(0.0507)	(0.0491)	(0.0486)	(0.0502)
FirmSize	0.496***	0.496***	0.495***	0.496***
	(0.0367)	(0.0370)	(0.0372)	(0.0368)
FirmAge	0.166*	0.175*	0.178*	0.175*
	(0.0821)	(0.0768)	(0.0769)	(0.0769)
Debt	0.0860+	0.0889+	0.0864+	0.0861+
	(0.0503)	(0.0529)	(0.0504)	(0.0501)
Growth	0.169+	0.168+	0.181+	0.167+
	(0.0925)	(0.0924)	(0.0944)	(0.0924)
Risk	-0.583	-0.579	-0.597	-0.576
	(0.756)	(0.755)	(0.760)	(0.756)
MarketPerformance	0.118*	0.118*	0.118*	0.119*
	(0.0587)	(0.0586)	(0.0586)	(0.0587)
StockPerformance	1.079	1.065	1.057	1.062
	(0.928)	(0.930)	(0.928)	(0.928)
Duality	0.179**	0.178**	0.177**	0.179**
	(0.0628)	(0.0627)	(0.0626)	(0.0627)
BoardSize	0.0176	0.0174	0.0175	0.0172
	(0.0236)	(0.0236)	(0.0236)	(0.0236)
BoardIndependence	1.750***	1.753***	1.745***	1.668***
	(0.360)	(0.360)	(0.359)	(0.376)
ExecutiveAge	-0.00555	-0.00554	-0.00567	-0.00562
	(0.00561)	(0.00561)	(0.00561)	(0.00560)
ExecutiveTenure	-0.00814	-0.00810	-0.00823	-0.00810
	(0.00744)	(0.00744)	(0.00745)	(0.00744)
ExecutiveOwnership	-5.326**	-5.332***	-5.347***	-5.328***
	(1.620)	(1.617)	(1.619)	(1.617)
InstitutionalOwnership	1.204***	1.205***	1.189***	1.210***
	(0.334)	(0.334)	(0.336)	(0.334)
MarketFirm × FirmAge	0.125+			
	(0.0735)			
MarketFirm × Debt		0.107*		
		(0.0435)		
MarketFirm × Growth			0.106+	
			(0.0625)	
MarketFirm × BoardIndependence				0.713+
				(0.403)
Constant	6.012***	6.011***	6.020***	6.007***
	(0.299)	(0.299)	(0.299)	(0.298)
Observations	5265	5265	5265	5265

Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	Yes	Yes	Yes	Yes

Table 4.37 - Robustness test (Dynamic estimation, Moderation effect of familiness logic orientation): Equity-based compensation.

The results of dynamic estimation robustness test. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
FamilyFirm	-0.0895*	-0.0895*	-0.0894*	-0.0891*
	(0.0416)	(0.0416)	(0.0415)	(0.0414)
FirmSize	0.227***	0.228***	0.227***	0.228***
	(0.0278)	(0.0278)	(0.0278)	(0.0277)
FirmAge	0.136**	0.103**	0.104**	0.102**
	(0.0512)	(0.0392)	(0.0394)	(0.0391)
Debt	0.109+	0.161*	0.114+	0.115+
	(0.0606)	(0.0722)	(0.0607)	(0.0607)
Growth	0.141*	0.146*	0.173*	0.139*
	(0.0686)	(0.0689)	(0.0679)	(0.0681)
Risk	-0.921	-0.916	-0.939	-0.917
	(0.615)	(0.615)	(0.616)	(0.615)
MarketPerformance	0.0822+	0.0806+	0.0806+	0.0806+
	(0.0455)	(0.0451)	(0.0445)	(0.0451)
StockPerformance	2.226*	2.230*	2.211*	2.224*
	(0.967)	(0.967)	(0.966)	(0.967)
Duality	0.0852+	0.0868+	0.0840+	0.0865+
	(0.0464)	(0.0467)	(0.0466)	(0.0468)
BoardSize	0.0309*	0.0308*	0.0307*	0.0309*
	(0.0156)	(0.0156)	(0.0156)	(0.0156)
BoardIndependence	1.110***	1.117***	1.115***	1.039***
	(0.242)	(0.242)	(0.242)	(0.313)
ExecutiveAge	-0.00172	-0.00166	-0.00164	-0.00163
	(0.00338)	(0.00337)	(0.00338)	(0.00337)
ExecutiveTenure	-0.00665	-0.00675	-0.00669	-0.00679
	(0.00432)	(0.00434)	(0.00432)	(0.00433)
ExecutiveOwnership	-1.054	-1.049	-1.084	-1.051
	(0.694)	(0.694)	(0.694)	(0.695)
InstitutionalOwnership	0.912***	0.908***	0.897***	0.907***
	(0.220)	(0.220)	(0.220)	(0.220)
(lag) EquityComp	0.545***	0.544***	0.544***	0.544***
	(0.0327)	(0.0328)	(0.0327)	(0.0327)
FamilyFirm × FirmAge	-0.0857+			
	(0.0492)			
FamilyFirm × Debt		-0.0788+		
		(0.0421)		
FamilyFirm × Growth			-0.104+	
			(0.0611)	
FamilyFirm × BoardIndependence				-0.685+
				(0.352)
Constant	2.983***	2.988***	2.993***	2.992***

	(0.255)	(0.254)	(0.254)	(0.254)
Observations	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.549	0.549	0.549	0.549

Table 4.38 - Robustness test (Dynamic estimation, Moderation effect of marketness logic orientation): Equity-based compensation.

The results of dynamic estimation robustness test. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
MarketFirm	0.100*	0.0995*	0.102*	0.102*
	(0.0494)	(0.0489)	(0.0490)	(0.0496)
FirmSize	0.229***	0.229***	0.227***	0.230***
	(0.0278)	(0.0276)	(0.0278)	(0.0276)
FirmAge	0.0960*	0.101*	0.102**	0.0993*
	(0.0416)	(0.0391)	(0.0393)	(0.0390)
Debt	0.112+	0.174*	0.110+	0.114+
	(0.0606)	(0.0731)	(0.0606)	(0.0607)
Growth	0.144*	0.142*	0.169*	0.140*
	(0.0681)	(0.0686)	(0.0676)	(0.0680)
Risk	-0.891	-0.886	-0.926	-0.896
	(0.615)	(0.615)	(0.616)	(0.615)
MarketPerformance	0.0831+	0.0822+	0.0840+	0.0833+
	(0.0456)	(0.0454)	(0.0450)	(0.0454)
StockPerformance	2.258*	2.242*	2.217*	2.260*
	(0.968)	(0.971)	(0.967)	(0.970)
Duality	0.0865+	0.0852+	0.0847+	0.0858+
	(0.0466)	(0.0468)	(0.0466)	(0.0467)
BoardSize	0.0304+	0.0304+	0.0304+	0.0302+
	(0.0157)	(0.0156)	(0.0157)	(0.0157)
BoardIndependence	1.118***	1.119***	1.108***	1.186***
	(0.243)	(0.243)	(0.243)	(0.247)
ExecutiveAge	-0.00154	-0.00152	-0.00158	-0.00146
	(0.00338)	(0.00338)	(0.00339)	(0.00337)
ExecutiveTenure	-0.00684	-0.00681	-0.00693	-0.00683
	(0.00435)	(0.00435)	(0.00436)	(0.00435)
ExecutiveOwnership	-1.021	-1.031	-1.053	-1.024
	(0.692)	(0.690)	(0.692)	(0.690)
InstitutionalOwnership	0.914***	0.909***	0.906***	0.912***
	(0.220)	(0.220)	(0.220)	(0.221)
(lag) EquityComp	0.545***	0.545***	0.545***	0.545***
	(0.0329)	(0.0329)	(0.0328)	(0.0328)
MarketFirm × FirmAge	0.0781+			
	(0.0404)			
MarketFirm × Debt		0.103*		
		(0.0426)		
MarketFirm × Growth			0.139+	
			(0.0729)	
MarketFirm × BoardIndependence				0.530*
				(0.220)
Constant	2.928***	2.925***	2.943***	2.932***

	(0.257)	(0.257)	(0.257)	(0.256)
Observations	5265	5265	5265	5265
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.549	0.549	0.549	0.549

Table 4.39 - Robustness test (Reduced sample): Equity-based compensation.

The results of OLS multivariate analysis using a reduced sample, excluding hybrid firms. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
FamilyFirm	-0.418**	-0.415**	-0.414**	-0.422**
	(0.144)	(0.147)	(0.147)	(0.148)
FirmSize	0.548***	0.546***	0.538***	0.548***
	(0.0551)	(0.0537)	(0.0559)	(0.0544)
FirmAge	0.324**	0.268*	0.273*	0.260*
	(0.105)	(0.108)	(0.110)	(0.107)
Debt	0.124+	0.159*	0.121+	0.127+
	(0.0701)	(0.0732)	(0.0701)	(0.0702)
Growth	0.513***	0.549***	0.511***	0.515***
	(0.114)	(0.137)	(0.118)	(0.116)
Risk	-0.708	-0.716	-0.802	-0.722
	(1.378)	(1.380)	(1.379)	(1.381)
MarketPerformance	0.109	0.111	0.107	0.114
	(0.180)	(0.179)	(0.177)	(0.178)
StockPerformance	1.015	0.999	0.856	0.925
	(1.861)	(1.867)	(1.836)	(1.879)
Duality	0.141	0.138	0.135	0.135
	(0.131)	(0.132)	(0.131)	(0.133)
BoardSize	0.0253	0.0256	0.0259	0.0244
	(0.0443)	(0.0444)	(0.0445)	(0.0447)
BoardIndependence	2.906***	2.908***	2.870***	2.849*
	(0.717)	(0.717)	(0.714)	(1.222)
ExecutiveAge	-0.00156	-0.00144	-0.00165	-0.00228
	(0.00962)	(0.00962)	(0.00970)	(0.00957)
ExecutiveTenure	-0.0168	-0.0167	-0.0171	-0.0173
	(0.0134)	(0.0134)	(0.0135)	(0.0133)
ExecutiveOwnership	-2.353	-2.371	-2.459	-2.343
	(1.760)	(1.753)	(1.769)	(1.732)
InstitutionalOwnership	1.755**	1.758**	1.698**	1.755**
	(0.567)	(0.574)	(0.588)	(0.573)
FamilyFirm × FirmAge	-0.255*			
	(0.109)			
FamilyFirm × Debt		-0.145*		
		(0.0616)		
FamilyFirm × Growth			-0.316+	
			(0.204)	
FamilyFirm × BoardIndependence				-1.751+
				(1.110)
Constant	5.761***	5.755***	5.787***	5.794***
	(0.529)	(0.529)	(0.533)	(0.536)
Observations	2219	2219	2219	2219

Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.313	0.313	0.314	0.314

Table 4.40 - Post-hoc regressions for MLDFs category and FLDFs category: Equity-based compensation.

The results of robustness post-hoc analysis of the relationship between CG determinants and equity-based compensation in MLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm_Market*** is an indicator variable that equals 1 for FLDF, and 0 for MLDF; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 for MLDF; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. Lagged values are used.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
Panel A- MLDFs category				
FamilyFirm_Market	-0.470**	-0.557***	-0.531**	-0.245***
	(0.168)	(0.166)	(0.168)	(0.0721)
FirmAge	0.579**			
	(0.214)			
FamilyFirm_Market × FirmAge	-0.388			
	(0.259)			
Debt		3.263***		
		(0.932)		
FamilyFirm_Market × Debt		-1.437		
		(1.121)		
Growth			0.870***	
			(0.154)	
FamilyFirm_Market × Growth			-0.667**	
			(0.221)	
BoardIndependence				2.028***
				(0.611)
FamilyFirm_Market × BoardIndependence				-0.314
				(0.696)
Constant	5.966***	5.973***	6.147***	7.757***
	(0.647)	(0.635)	(0.687)	(0.195)
Panel B- FLDFs category				
FamilyFirm_Family	-0.470**	-0.557***	-0.531**	-0.245***
	(0.168)	(0.166)	(0.168)	(0.0721)
FirmAge	0.391**			
	(0.142)			
FamilyFirm_Family × FirmAge	-0.388			
	(0.259)			
Debt		1.826**		
		(0.603)		
FamilyFirm_Family × Debt		-1.437		
		(1.121)		
Growth			0.403**	
			(0.138)	
FamilyFirm_Family × Growth			-0.667**	
			(0.221)	
BoardIndependence				1.714***
				(0.343)
FamilyFirm_Family × BoardIndependence				-0.314
				(0.696)
Constant	5.496***	5.415***	5.616***	7.511***
	(0.658)	(0.642)	(0.695)	(0.191)
Observations	2219	2219	2219	2219
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.0995	0.113	0.113	0.179

Table 4.41 - Post-hoc test (Family status of ownership): Board size.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***BoardSize*** representing the total number of directors on board. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardSize*			
FamilyFirm	-0.201	-0.192	-0.205	-0.183
	(0.157)	(0.157)	(0.158)	(0.159)
FirmSize	0.753***	0.756***	0.752***	0.752***
	(0.0501)	(0.0501)	(0.0502)	(0.0503)
Debt	1.648**	1.544**	1.511**	1.551**
	(0.539)	(0.475)	(0.475)	(0.477)
Growth	0.432***	0.377**	0.434***	0.431***
	(0.114)	(0.129)	(0.114)	(0.114)
Risk	-8.504***	-8.475***	-9.239***	-8.508***
	(1.191)	(1.194)	(1.446)	(1.188)
FreeCashFlow	-1.571*	-1.538*	-1.577*	-2.138**
	(0.648)	(0.648)	(0.649)	(0.751)
MarketPerformance	-0.298***	-0.310***	-0.295***	-0.293***
	(0.0770)	(0.0769)	(0.0773)	(0.0770)
ExecutiveOwnership	-8.104***	-8.019***	-7.940***	-8.296***
	(2.141)	(2.092)	(2.091)	(2.080)
FamilyFirm × *Debt*	-0.368			
	(0.992)			
FamilyFirm × *Growth*		-0.224+		
		(0.134)		
FamilyFirm × *Risk*			2.224	
			(2.633)	
FamilyFirm × *FreeCashFlow*				1.846
				(1.398)
Constant	9.946***	9.992***	9.955***	9.937***
	(0.415)	(0.415)	(0.416)	(0.416)
Observations	3891	3891	3891	3891
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.173	0.174	0.174	0.175

Table 4.42 - Post-hoc test (Family status of ownership): Board independence.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***BoardIndependence*** representing the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***MarketPeformance*** is the lagged value of firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding share; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's positions.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*BoardIndependence*			
FamilyFirm	-0.0695***	-0.0691***	-0.0696***	-0.0693***
	(0.00857)	(0.00864)	(0.00862)	(0.00856)
FirmSize	0.00932***	0.00945***	0.00932**	0.00933**
	(0.00280)	(0.00280)	(0.00282)	(0.00283)
Debt	0.0809**	0.0625*	0.0606*	0.0611*
	(0.0253)	(0.0245)	(0.0244)	(0.0244)
Growth	0.0168***	0.0221***	0.0231**	0.0228**
	(0.00521)	(0.00529)	(0.00519)	(0.00521)
Risk	-0.0382	-0.0342	-0.0648	-0.0361
	(0.0623)	(0.0621)	(0.0731)	(0.0623)
FreeCashFlow	0.0180	0.0178	0.0161	0.0247
	(0.0310)	(0.0310)	(0.0310)	(0.0355)
MarketPerformance	-0.0119**	-0.0124***	-0.0118**	-0.0119***
	(0.00459)	(0.00454)	(0.00453)	(0.00455)
ExecutiveOwnership	-0.102	-0.0886	-0.0829	-0.0897
	(0.100)	(0.101)	(0.101)	(0.100)
ExecutiveAge	-0.000983+	-0.000943+	-0.000962+	-0.000961+
	(0.000545)	(0.000541)	(0.000543)	(0.000545)
ExecutiveTenure	-9.09e-05	-8.15e-05	-5.50e-05	-6.92e-05
	(0.000531)	(0.000532)	(0.000531)	(0.000528)
FamilyFirm × *Debt*	-0.0515+			
	(0.0284)			
FamilyFirm × *Growth*		-0.00873		
		(0.0131)		
FamilyFirm × *Risk*			0.0339	
			(0.149)	
FamilyFirm × *FreeCashFlow*				-0.0225
				(0.0687)
Constant	0.749***	0.752***	0.750***	0.750***
	(0.0194)	(0.0193)	(0.0195)	(0.0194)
Observations	3,891	3,891	3,891	3,891
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.223	0.222	0.222	0.222

Table 4.43 - Post-hoc test (Family status of ownership): Total compensation.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***TotalComp*** representing the total compensation as the natural logarithm of one plus (tdc1) variable in Execucomp representing the sum of annual salary, bonus, value of stock options and restricted stock granted, long-term incentive pay-outs and all other compensation. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*TotalComp*					
FamilyFirm	-0.105*	-0.104*	-0.105*	-0.105*	-0.103*	-0.102*
	(0.0409)	(0.0411)	(0.0415)	(0.0414)	(0.0412)	(0.0412)
FirmSize	0.385***	0.386***	0.385***	0.385***	0.386***	0.386***
	(0.0173)	(0.0173)	(0.0173)	(0.0172)	(0.0172)	(0.0173)
FirmAge	0.0691+	0.0690+	0.0698+	0.0683+	0.0689+	0.0690+
	(0.0377)	(0.0351)	(0.0351)	(0.0351)	(0.0351)	(0.0351)
Debt	0.0791	0.103	0.0746	0.0678	0.0788	0.0821
	(0.136)	(0.156)	(0.136)	(0.136)	(0.136)	(0.135)
Growth	0.0310*	0.0320*	0.0455**	0.0284*	0.0327*	0.0319*
	(0.0131)	(0.0133)	(0.0146)	(0.0117)	(0.0132)	(0.0130)
Risk	-0.0150	-0.0148	-0.0259	-0.0230	-0.00878	-0.0135
	(0.339)	(0.340)	(0.340)	(0.338)	(0.340)	(0.339)
MarketPerformance	0.0943*	0.0925*	0.0973*	0.119**	0.0926*	0.0933*
	(0.0400)	(0.0399)	(0.0390)	(0.0393)	(0.0399)	(0.0397)
StockPerformance	1.655***	1.664***	1.673***	1.649***	1.466***	1.665***
	(0.380)	(0.379)	(0.381)	(0.378)	(0.422)	(0.380)
Duality	0.109***	0.110***	0.109***	0.109***	0.110***	0.110***
	(0.0305)	(0.0305)	(0.0304)	(0.0305)	(0.0306)	(0.0306)
BoardSize	0.0376***	0.0381***	0.0385***	0.0387***	0.0380***	0.0378***
	(0.00969)	(0.00974)	(0.00974)	(0.00980)	(0.00975)	(0.00976)
BoardIndependence	0.256	0.245	0.254	0.250	0.246	0.248
	(0.182)	(0.181)	(0.182)	(0.181)	(0.181)	(0.181)
ExecutiveAge	0.00550*	0.00540*	0.00534*	0.00533*	0.00545*	0.00464
	(0.00258)	(0.00255)	(0.00257)	(0.00256)	(0.00257)	(0.00292)
ExecutiveTenure	0.00307	0.00290	0.00309	0.00327	0.00295	0.00304
	(0.00317)	(0.00314)	(0.00316)	(0.00313)	(0.00317)	(0.00320)
ExecutiveOwnership	-0.552	-0.573	-0.532	-0.484	-0.551	-0.584
	(0.607)	(0.613)	(0.611)	(0.612)	(0.610)	(0.599)
InstitutionalOwnership	0.653***	0.668***	0.658***	0.657***	0.670***	0.667***
	(0.131)	(0.132)	(0.134)	(0.134)	(0.132)	(0.132)
FamilyFirm × FirmAge	-0.0565+					
	(0.0349)					
FamilyFirm × Debt		-0.0645				
		(0.266)				
FamilyFirm × Growth			-0.0300			
			(0.0631)			
FamilyFirm × MarketPerformance				-0.0650+		
				(0.0379)		
FamilyFirm × StockPerformance					-0.558	
					(0.856)	
FamilyFirm × ExecutiveAge						-0.00201

						(0.00500)
Constant	7.771***	7.765***	7.758***	7.762***	7.767***	7.766***
	(0.0821)	(0.0825)	(0.0820)	(0.0816)	(0.0816)	(0.0816)
Observations	3,884	3,884	3,884	3,884	3,884	3,884
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R^2	0.624	0.624	0.624	0.625	0.624	0.624

Table 4.44 - Post-hoc test (Family status of ownership): Equity-based compensation.

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***EquityComp*** representing a variable pay of the equity-based compensation as the natural logarithm of one plus the sum of grant date fair value of option and stock awards. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***FirmAge*** is the natural logarithm of the number of years since a firm has been first appeared on CRSP; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Growth*** is the natural logarithm of market-to-book ratio of equity as market value of equity divided by book value of equity; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***MarketPeformance*** is the firm market-based performance measured by Tobin's Q value as sum of total assets and market value of equity minus book value of equity scaled by firm's total assets; ***StockPerformance*** is the annual average stock return; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardSize*** is the total number of directors on board; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***InstitutionalOwnership*** is the shares held by outside institutional investors as a fraction of shares outstanding as the number of institutional investors' shareholdings divided by total number of outstanding shares. Lagged values are used for ***FirmSize*** through ***InstitutionalOwnership*** variables.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*EquityComp*			
FamilyFirm	-0.304*	-0.308*	-0.308*	-0.289*
	(0.124)	(0.124)	(0.125)	(0.124)
FirmSize	0.517***	0.515***	0.515***	0.517***
	(0.0474)	(0.0477)	(0.0474)	(0.0476)
FirmAge	0.263*	0.245*	0.245*	0.234*
	(0.122)	(0.114)	(0.113)	(0.113)
Debt	0.344	0.360	0.350	0.292
	(0.390)	(0.417)	(0.392)	(0.383)
Growth	0.0776***	0.0684***	0.0968***	0.0722***
	(0.0160)	(0.0161)	(0.0166)	(0.0157)
Risk	-0.364	-0.417	-0.394	-0.436
	(0.907)	(0.914)	(0.909)	(0.908)
MarketPerformance	0.124	0.125	0.133	0.125
	(0.148)	(0.148)	(0.142)	(0.144)
StockPerformance	0.781	0.834	0.800	0.855
	(1.287)	(1.276)	(1.285)	(1.282)
Duality	0.210*	0.207*	0.207*	0.211*
	(0.105)	(0.104)	(0.103)	(0.105)
BoardSize	0.0683*	0.0676*	0.0685*	0.0689*
	(0.0290)	(0.0289)	(0.0288)	(0.0291)
BoardIndependence	1.792***	1.789***	1.817***	2.003+
	(0.506)	(0.517)	(0.523)	(1.142)
ExecutiveAge	-0.00501	-0.00527	-0.00509	-0.00502
	(0.00747)	(0.00748)	(0.00757)	(0.00751)
ExecutiveTenure	-0.0140	-0.0138	-0.0144	-0.0134
	(0.0114)	(0.0113)	(0.0114)	(0.0114)
ExecutiveOwnership	-2.184	-2.415	-2.151	-2.000
	(1.951)	(1.935)	(1.953)	(1.926)
InstitutionalOwnership	1.470**	1.434**	1.435**	1.457**
	(0.500)	(0.492)	(0.490)	(0.491)
FamilyFirm × FirmAge	-0.0763			
	(0.286)			
FamilyFirm × Debt		-0.197		
		(0.747)		
FamilyFirm × Growth			-0.0580	
			(0.227)	
FamilyFirm × BoardIndependence				-0.816+
				(0.467)
Constant	6.179***	6.168***	6.169***	6.232***
	(0.260)	(0.260)	(0.262)	(0.258)
Observations	3884	3884	3884	3884
Industry Effect	Yes	Yes	Yes	Yes

Year Effect	Yes	Yes	Yes	Yes
Adjusted R^2	0.330	0.330	0.330	0.332

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

5.1 Introduction

CSR presents a research area that exhibits differences among firms. It originated in stakeholder theory (Freeman, 1984) and addresses the wider social good. CSR connects to the socially responsible practices of firms that consider the interests, demands and concerns of various groups of stakeholders, both internal and external, as the recipients of firm practices and decisions (Peterson, 2004). Despite shareholders presenting the dominant – financial – stakeholder group emphasised by firm management, firms have many other relationships with a variety of stakeholders, including consumers, suppliers, employees, government bodies and environmental supporters.

In comparison with shareholders, such firm stakeholders are likely to pursue different, non-financial goals, preferences and interests that managers are required to consider and serve, as firm stakeholders both affect and are affected by firm practices and behaviour (Font et al., 2012). This highlights the significance of evaluating how firms perform concerning the social and environmental impacts of their practices and decisions. Resulting from the various stakeholder groups, managers confront multiple pressures and demands in relation to allocating managerial efforts and business resources to CSR, which holds firms accountable for the social and environmental consequences of firm practices and decisions. Accordingly, firms have growingly emphasised the importance of CSR and ensured addressing their attempts regarding CSR initiatives and activities (Borghesi et al., 2014).

Devoting their efforts and resources to CSR, firms rely on the belief that doing good, in terms of undertaking social practices and decisions, basically leads to doing better for the best benefit of shareholders through accomplishing differentiation (McWilliams and Siegel, 2001; Sen and Bhattacharya, 2001; Nelson, 2004; Borghesi et al., 2014). This effectively aligns with the key goal of managers concerning shareholders' wealth maximisation as addressed by firm theory, given that the threat of takeover market is the primary control mechanism (Jensen and Meckling, 1976). However, despite the prominence and influence of CSR, firms normally demonstrate a difference in firm social performance, where some firms engage less in socially responsible practices relative to their counterparts given the common, underlying difference of ownership status (family or not) (Di Giuli and Kostovetsky, 2014; El Ghoul et al., 2016; Zientara, 2017).

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

Stressing firm behaviour, Friedland and Alford (1991) direct attention to the notion of ILs of which firm practices and decisions are basically tangible manifestation (Greenwood et al., 2010). Underpinned by institutional theory, ILs are the core of the primary institutions, both market and non-market, comprising the society in which firms exist and operate. They provide the rules of the game in terms of defining appropriate behaviour and setting the means to achieve it (Thornton and Ocasio, 2008; Greenwood et al., 2011). In other words, ILs provide guidance and resilient prescriptions of social actions (Greenwood et al., 2010; Pache and Santos, 2010). ILs thus present a proxy for firm behaviour as they implicitly embed in firm decision making, and in turn, shape firm practices and decisions, prompting the discrepancy in firm behaviour.

This phenomenon calls attention to the role of ILs in the context of CSR. To the extent that ILs latently drive firm behaviour and that firms vary in making strategic choices and managerial decisions, the literature lacks a study of the association between ILs and CSR. While the extant literature has addressed the influence of ILs as covert drivers of firm behaviour on different firm aspects regarding economic and strategic behaviours, no attention has been paid to the influence of ILs on CSR. Emphasising the domains of ILs and CSR, a question arises regarding whether and how ILs affects firm engagement in CSR, given the difference in socially responsible practices between family and non-family firms.

The scholars depict ILs as an intangible construct that justifies the difference in the culture and nature of firms in terms of the values, symbols and material practices (Meyer and Rowan, 1977; Danisman et al., 2006). However, ILs have neither been measured directly nor applied to the context of CSR. Addressing this gap, in this study, I shed light on the perspective of ILs as hidden drivers of firm behaviour (Friedland and Alford, 1991), in light of CSR performance. Particularly, I seek to empirically investigate whether and how ILs – namely family and market logics – influence CSR performance. In doing this, I take a key step in terms of using an institutional-based approach to identify and classify firms beyond the ownership criteria.

Building on the increasingly growing notion of SEW in the family business literature (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a; Berrone et al., 2012; Miller and Le Breton-Miller, 2014), I establish the concept of firm logic orientation, specifically the familiness and marketness constructs, depicting and defining the firm type in terms of the logic-based group relating to the embeddedness of family and market logics by which a firm is driven. In doing this, I introduce different types of firms, such as FLDFs, hybrid firms and MLDFs. This is manifested in real firm practices and decisions regarding a number of behavioural dimensions apart from family ownership status (or not).

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

Contrary to ownership-based studies, I posit that ownership status (family or not) alone is not an adequate indicator to determine whether or not a firm is family-oriented because it overlooks the importance of firm behaviour. Particularly, it disregards the firm culture and nature of running a business that actual practices and decisions reveal. That is, incorporating the role of ILs regarding the concept of distinction among firms, in this study, I rethink of family and non-family firms in terms of firm behaviour beyond the conventional understanding and classification of firms.

Primarily, drawing on the SEW preservation perspective, in this study, I portray FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence. Particularly, I depict MLDFs as shareholder-oriented firms that prioritises the primary economic business objective of profitability and shareholders' wealth maximisation, exhibiting an archetypal business setting. In contrast, FLDFs present a different business setting that exhibits a family-oriented attitude and preference in terms of prioritising the SEW preservation, overlapping the family and business systems. Moreover, I highlight the logic orientation of firms as an explanatory factor of CSR performance in terms of the rating of firm engagement in CSR. Therefore, in this study, I primarily investigate the difference in socially responsible practices among the logic-based groups of firms. The purpose of this study is to advance the knowledge of ILs and expand the understanding of CSR differences among firms, as well as the advantage and value of firm legitimacy for firm social performance.

The central premises underlying the difference in CSR performance between FLDFs and MLDFs lie in the dark side of SEW (Kellermanns et al., 2012). Stressing the underlying family-oriented facet that underlies the difference between and classification of FLDFs and MLDFs, the priority of SEW preservation presents a family-oriented attitude and preference as opposed to the priority of profitability and shareholders' wealth maximisation. Given the multidimensional character of SEW, the scholars note that SEW dimensions can be both positively and negatively valanced as they associate with pleasant and unpleasant emotions and outcomes regarding firm stakeholders. Therefore, the stressed SEW dimensions are namely contradictory from the perspective of CSR. Such an ambivalent nature of SEW implies its detrimental effects on firm stakeholders in relation to responding to stakeholders' demands and interests differently in a self-serving manner (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014; Zientara, 2017).

This basically addresses the self-serving behaviour of FLDFs that fulfils narrowly defined firm's self-interests related to SEW (Cruz et al., 2014), which results in their discriminatory behaviour towards firm stakeholders in terms of treating internal and external stakeholders unequally and unfairly. In other words, relative to MLDFs, FLDFs carry out social practices and

decisions that align with the concern for preserving the SEW of firm's key actors irrespective of the detriments and disadvantages for firm stakeholders. This weakens the proactive stakeholder engagement of FLDFs and challenges their stakeholder management (Berrone et al., 2012; Cennamo et al., 2012; Cruz et al., 2014), undermining the CSR performance of FLDFs. Specifically, stemming from the perspective of SEW preservation, compared with MLDFs, FLDFs selectively and instrumentally implement socially responsible practices, adopting an instrumental (selective) rather than a strategic (normative) approach to CSR (Zientara, 2017).

Moreover, in line with the response strategy of selective coupling perspective (Pache and Santos, 2013), FLDFs consider the interests and demands of firm stakeholders by selectively undertaking purposeful CSR initiatives and activities that primarily obtain (mitigate) gains (losses) of SEW. That is, given the negative valance of the SEW dimensions associated with discriminatory behaviour towards firm stakeholders, stakeholders' concerns and interests are disregarded whenever SEW is exposed to risk (Cruz et al., 2014), purposefully implementing selected social practices and decisions that best fit the firm at the cost of some firm stakeholders. Therefore, unlike MLDFs, FLDFs view CSR as a marketing or public relations instrument, instead of a core business strategy, to fulfil SEW-related interests and concerns. As such, encountering the shadow of SEW's dark side, FLDFs perform differently from MLDFs concerning CSR, namely suggesting a negative effect of the familiness of firms on CSR performance.

Stemming from the discrepancy in CSR performance between FLDFs and MLDFs, in this study, I shed light on the role of firm legitimacy as an input of firm social performance. Particularly, stressing the firm isomorphism perspective, I emphasise the strategic conformity – a legitimacy-seeking activity – of firms (Deephouse, 1999; Deephouse and Carter, 2005), as an explanatory factor of CSR performance. In essence, apart from the understanding of CSR as a strategy for achieving firm legitimacy, in this study, I address CSR from a distinct perspective – not simply as a legitimacy-seeking activity.

Specifically, I portray CSR as a kind of firm output related to firm social performance that follows social practices and decisions, which ultimately affect society and environment, given the ESG performance benchmarks. Irrespective of the underlying purpose behind firm engagement in CSR, here, the measure of CSR subjectively addresses and evaluates the way firms perform on a number of ESG categories that highlight the ESG strengths and concerns that the firm possesses and encounters, respectively. Accordingly, stressing the perspective of firm legitimacy, in this study, I emphasise the effect of strategic conformity on CSR performance.

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

Both CSR and firm legitimacy stress firm stakeholders as the recipients and social evaluators of firm practices and decisions, respectively. Firm legitimation is a social judgment that infers the social validation of firms conferred by firm stakeholders, who evaluate firm practices and behaviour. It conveys firm approval and acceptance regarding the appropriateness and properness of firm practices and behaviour, which protect the conduct of firms from being mistrusted in accordance with the satisfaction and endorsement of firm stakeholders (Meyer and Rowan, 1977; Suchman, 1995). Thus, firm legitimacy predictably results in valued socially constructed outcomes, including favourable firm reputation and the support of stakeholders (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011), which help firms overcome obstacles and difficulties by creating positive image, facilitating access to fundamental business resources, both financial and human capital, and granting a long-term relationship with firm stakeholders that ultimately improve the firm competitiveness and survival.

Emphasising CSR performance, such predictable significant consequences of firm legitimacy indicate an upward implication for firms' CSR concerning the evaluation of how firms perform in terms of the social and environmental effects of their practices and decisions. In other words, emphasising the satisfaction and endorsement of firm stakeholders, firm legitimacy prompts the social gains of firms in terms of improving the perception of firms' CSR. Specifically, building on the assumption of institutional theory that isomorphism generates and improves firm legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983), seeking legitimacy through the adoption of isomorphic practices to those of industry peers, namely strategic conformity, has an incremental advantage for CSR performance.

In this study, I also emphasise the logic orientation of firms as a moderator of the relationship between strategic conformity and CSR . Therefore, I stress the moderating role of firm logic orientation regarding the effect of strategic conformity on CSR performance as a more subtle and in-depth articulation of firm type – the logic-based group – in firm practices and decisions. That is, I extend the above argument on the strategic conformity-CSR relationship, examining whether such relationship varies according to the ILs embedded in firm decision making. Particularly, stressing the moderating role of ILs, I intend to empirically investigate whether and how ILs influences the effect of strategic conformity, as a legitimacy-seeking activity, on CSR performance.

Drawing on the aforementioned difference in CSR performance between FLDFs and MLDFs, they thereby differ in firm legitimacy in relation to firm acceptance and approval regarding the appropriateness and properness of social practices and decisions. Stemming from the SEW preservation perspective, FLDFs confront the shadow of SEW's dark side involving self-serving and discriminatory behaviours that generate negative publicity, unfavourable image

and bad reputation for FLDFs concerning firm engagement in CSR, imposing their imprudence, guiltiness and suspiciousness in the eyes of firm stakeholders.

Thus, stressing the satisfaction and endorsement of firm stakeholders, the firm legitimacy of FLDFs, in comparison with MLDFs, is lacking given the self-serving behaviour that SEW drives, as well as the resulting discriminatory behaviour towards firm stakeholders (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014), in terms of the discrimination between internal and external stakeholders, and the unequal and unfair treatment of internal stakeholder themselves related to responding to the interests and concerns of firm stakeholders distinctly. Accordingly, emphasising the discrepancy in firm legitimation between FLDFs and MLDFs, the social gains of firms derived from firm legitimacy vary according to the logic orientation of firms, implying that seeking legitimacy through adopting isomorphic strategies has a substantial incremental value for the CSR performance of FLDFs relative to MLDFs.

I use a sample of 3984 firm-year observations from 784 firms on the S&P 1500 index throughout the period of 2006–2013. Mandatory data are retrieved from the Compustat, MSCI, Execucomp and Centre for Research in Security Prices databases. Generally, the study reports that firm logic orientation explains an extra amount of variation in CSR performance in terms of the rating of firm engagement in CSR. Overall, it shows a discrepancy between FLDFs and MLDFs in terms of socially responsible practices, emphasising the evaluation of how firms perform on the ESG performance benchmarks. Specifically, the results suggest that FLDFs perform worse compared with MLDFs concerning CSR. Irrespective of family ownership status (or not), the study provides empirical evidence of the association between firm logic orientation and CSR.

The study also finds a significant impact of strategic conformity – a legitimacy-seeking activity – on CSR performance. Namely, the results suggest a positive relationship between strategic conformity and CSR. Further, overall, the study shows that the firm logic orientations of familiness and marketness have different effects on this positive relationship. Generally, it reports that the strategic conformity-CSR relationship is a function of or conditional by firm logic orientation. Specifically, the results indicate that, relative to the marketness logic orientation, the familiness of firms amplifies the positive effect of strategic conformity on CSR performance. The study applies an interaction empirical setting to provide empirical evidence that, irrespective of ownership status (family or not), the logic orientation of firms moderates the effect of firm legitimacy on the impression of firms' CSR, highlighting the moderating role of firm logic orientation.

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

Through the empirical window of CSR, the findings provide empirical evidence supporting the notion of ILs as being latent drivers of firm behaviour relating to the firm culture and nature of running a business. The importance of this study lies in suggesting a distinct view of the familiness and marketness of firms, identifying and classifying firms based on the embeddedness of family and market logics, which tangibly manifests in firm practices and decisions. In this study, I mainly show how family and market logics play an implicit role in affecting firm behaviour, and as such, differentiating among firms, emphasising the CSR context. Looking beyond firm strategies, I specifically shed light on a hidden logic-based root; that is, the culture and nature of firms, underlying how firms internally configure businesses regarding socially responsible practices, in terms of engaging in CSR, to deliver their strategies and goals.

Given this study, I contribute to the literature of ILs, CSR, family business and firm legitimacy in several ways. First, I emphasise, define and operationalise family and market logics. Second, I develop and validate a quantitative measurement of and the embeddedness of family and market logics, and I establish an institutional-based classification of firms, identifying and grouping them as FLDFs, hybrid firms or MLDFs beyond the traditional understanding of firm types. Third, I introduce the concept of firm logic orientation, particularly the constructs of familiness and marketness, to define and depict the embeddedness of family and market logics by which a firm is driven. Therefore, I mainly develop an index of the logic orientation of firms based on real firm practices and behaviour. Fourth, relative to the extant ownership-based studies, I use a different approach to view and determine the familiness and marketness of firms, applying the perspective of ILs to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours irrespective of family ownership status (or not).

Fifth, from an empirical perspective, I address a difference between FLDFs and MLDFs regarding CSR performance, addressing the effect of firm logic orientation on firm engagement in CSR. Sixth, emphasising the isomorphism attempts of firms, I shed light on the social gains of firms derived from firm legitimation, and further, I highlight a contrast between FLDFs and MLDFs concerning the magnitude of strategic conformity-CSR relationship, pointing out the impact of the logic orientation of firms on CSR performance. Lastly, I empirically show and expand the understanding of the hidden role of ILs – family and market logics – as covert drivers of firm behaviour in terms of affecting CSR performance, differentiating firm engagement in socially responsible practices and the effect of firm legitimacy on the view of CSR among the logic-based groups of firms. Moreover, in applying the ILs perspective to the context of CSR, I thus provide scholars, policymakers and regulators with a distinct explanation

for and advance their understanding of the difference in CSR among firms, helping them better develop future CSR research, policies and regulations.

The rest of this chapter is organised as follows: Section 2 provides the literature review and hypothesis development. Descriptions of the data, sample and methodology design are included in Section 3. Section 4 discloses the findings from empirically testing the hypotheses, discusses the results of the multivariate analysis, and provides remarks on the robustness checks. Finally, Section 5 concludes the chapter.

5.2 Literature Review & Hypothesis Development

5.2.1 The Dark Side of Socioemotional Wealth

Family and non-family firms differ in several aspects. The SEW preservation is a key distinguishing factor of family firm behaviour (Berrone et al., 2012), highlighting a family-oriented attitude and preference. Emphasising the motives, objectives and essence of firms, it thereby underpins the distinction between and classification of FLDFs and MLDFs. Originating from behavioural agency theory, SEW is a popular model introduced by Gomez-Mejia et al. (2007) that mainly encompasses the non-economic utilities of key firm actors derived from the firm, including authority and control, job security and protection, reputation and image and social ties. It presents a main reference point that family firms use to make their strategic choices and managerial decisions, considering mitigating the exposure of SEW to threat as opposed to the economic logic of firm decision making (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a; Berrone et al., 2012; Miller and Le Breton-Miller, 2014).

Given the multidimensional character of SEW (Gomez-Mejia et al., 2007; Gomez-Mejia et al., 2011a), the SEW dimensions are portrayed as inspiring care for and effective response to firm stakeholders from the perspective of CSR (Zientara, 2017). This is because the dimensions of SEW conceptually signify the non-economic benefits and moral values attached to the firm. Further, the concern for SEW preservation implies the avoidance of firm practices and decisions that incur negative publicity and unfavourable image for family firms as an identification and extension of firm members (Gomez-Mejia et al., 2007). SEW is thus generally depicted as a prosocial and positive stimulus, which supports the preliminary assumption that it is associated with more engagement of family firms in CSR (Kellermanns et al., 2012).

However, whether family firms are more socially responsible relative to non-family firms remains a controversial discussion. Cruz et al. (2014) explain the contradictory views of family firms' social practices and performance based on different reasons. First, most studies of the association between family ownership and CSR have stressed a single aspect of the socially

responsible practices and decisions of firms, namely the environment, overlooking the diversity of firm stakeholders. In consistency, second, given SEW is the most salient, distinguishing factor in characterising family firms (Gomez-Mejia et al., 2007; Berrone et al., 2012), the studies have also emphasised a single SEW dimension of firm reputation, prestige and image with which key firm actors are closely identified. This implies incorporating an incomplete view of the CSR of family firms, as SEW has a multidimensional character.

As SEW preservation is a key reference point for framing the problems, issues and opportunities of family firms, it plays a key role in conceptualising and engaging in CSR. CSR is an influential managerial concept that relates to the role of firms in society at large; much attention has been given to CSR, resulting in extensive research on the intentions and consequences of the socially responsible practices of firms. CSR is theoretically grounded in stakeholder theory (Freeman, 1984). In particular, CSR lies in the socially responsible practices of firms concerning the wider social good, where different internal and external stakeholders, whose interests, demands and concerns should be considered rather than shareholders only, are the recipients of firm practices and decisions (Peterson, 2004). As Font et al. (2012) state, firms have responsibilities towards society at large rather than only maximising shareholders' wealth, where both internal and external, financial and non-financial stakeholders, such as customers, suppliers employees, environment and government bodies, affect and are affected by firm practices and decisions. Therefore, as CSR is theoretically based on stakeholder theory, the impact of SEW preservation on managing the various groups of stakeholders essentially matters (Zientara, 2017). Given the priority of preserving SEW, Cruz et al. (2014) assert that family firms respond to the demands and interests of firm stakeholders differently. Specifically, unlike non-family firm, family firms tend to behave more responsibly towards external rather than internal stakeholders, as the SEW dimensions are contradictory from the CSR perspective. Stressing different SEW dimensions, family firms disregard the demands and concerns of internal stakeholders, namely employees, while effectively considering the interests and demands of external stakeholders, avoiding the SEW of firm's key actors from being jeopardised (Cruz et al., 2014).

Therefore, they behave both good and bad at the same time in terms of treating internal and external stakeholders unequally and unfairly. In other words, underpinned by the multidimensional nature of SEW, family firms can be simultaneously socially responsible and irresponsible, responding to firm stakeholders distinctly. This reveals a self-serving behaviour of family firms compared with non-family firms, where family firms undertake social practices and decisions selectively and opportunistically to serve SEW-related interests and goals (Zientara, 2017). Accordingly, SEW is seen as a driver of family firms' self-serving behaviour,

which yields a discriminatory behaviour towards firm stakeholders (Cruz et al., 2014), challenging the prosocial and positive stimulus claim.

Drawing on the SEW preservation perspective, family firms are more likely to behave selectively and opportunistically relative to their counterparts due to namely the authority and power, social ties and business networks and reputation and image dimensions of SEW. Thus, in practice, social practices and decisions are more complicated in family firms in comparison with non-family firms. Cruz et al. (2014) state that, in the name of protecting SEW, family firms are more responsive to external stakeholders, adopting socially responsible practices that fulfil their demands and concerns to maintain firms' favourable reputation and positive image with which key firm actors are closely identified, as well as social ties and business networks.

Further, the concern for preserving authority, control and power of firm's key actors leads to disregarding internal stakeholders, specifically employees. This involves overlooking their competencies and potentials, promotions and involvement in firm decision making, while sustaining such affective endowments in the hands of managers in compliance with the family-oriented values and essence of nepotism and prejudice (Gomez-Mejia et al., 2011a). Together, this suggests unequal and unfair treatment not only of internal and external stakeholders but also discrimination among internal stakeholders themselves, that is, stakeholder differentiation.

In accordance with this, stressing proactive stakeholder engagement, Kellermanns et al. (2012) point out the 'dark side' of SEW, which results in negative effects on the stakeholders of family firms. Extending the SEW perspective, they note that SEW can be negatively associated with proactive stakeholder engagement. They explain that the concern for preserving SEW triggers family firms' self-serving behaviour, prioritising SEW-related interests and concerns at the cost of some firm stakeholders, which has adverse implications for stakeholder management. Specifically, emphasising the dark side of SEW, preserving the non-economic utilities of firm's key actors linked to the firm has potential detrimental outcomes and disadvantages for some firm stakeholders, reducing proactive stakeholder engagement (Cennamo et al., 2012). To preserve the non-economic benefits linked to the firm, family firms operate with a mentality of 'us-against-them' that expropriates or exploits specific firm stakeholders (Kellermanns et al., 2012). This aligns with the expropriation hypothesis of family control and entrenchment addressed by El Ghoul et al. (2016).

Further, Kellermanns et al. (2012) shed light on the double-valanced nature of SEW dimensions, where they can be positively and negatively valanced. This is at odds with the predominant view of SEW as prosocial and positive stimulus, where the SEW dimensions can be associated with pleasant (positive) and unpleasant (negative) emotions and consequences

concerning the various groups of stakeholders. Thus, the dimensions of SEW do not necessarily associate with good care for and effective response to firm stakeholders; instead, they can explain the low proactive stakeholder engagement. As Berrone et al. (2012) and Cennamo et al. (2012) assert, the SEW dimension that family firms emphasise affects their proactive stakeholder engagement.

Given its multidimensional character, SEW encompasses different dimensions that refer to distinct concerns and present different reference points upon which firm practices and decisions are undertaken. Accordingly, the proactive stakeholder engagement of family firms is determined by the specific dimension of SEW that they stress. Specifically, emphasising the key SEW dimensions of reputation, image and prestige and social ties and business networks, family firms carry out socially responsible practices that burnish their social and environmental credentials, effectively fulfilling the interests and demands of external stakeholders as opposed to internal stakeholders.

Moreover, stressing the authority, control and power dimension of SEW, family firms act unequally and unfairly towards internal stakeholders, namely abandoning employees' interests and concerns while effectively responding to the demands and interests of firms' key actors, such as top management. Although positively valanced in relation to the preservation of affective endowments, family firms' discriminatory behaviour in terms of the unequal and unfair treatment of firm stakeholders suggests a negative valance of the SEW dimensions (Kellermanns et al., 2012; Cruz et al., 2014). This implies an ambiguous nature of SEW according to which family firms act contradictorily from the perspective of CSR, given the resulting CSR-related contradictions relating to stakeholder management.

Relatedly, Zientara (2017) advances a debate on SEW regarding its influence on firm engagement in CSR, making a distinction between the instrumental (selective) and strategic (normative) approaches to CSR. Similarly, Cennamo et al. (2012) note that the proactive stakeholder engagement of family firms is determined by either instrumental or normative motives. Building on the work of Kellermanns et al. (2012) concerning SEW's dark side, Zientara (2017) addresses the ambivalent nature of SEW and its adverse effects on the stakeholders of family firms, disputing the perception of SEW as a prosocial and positive stimulus. Given the ambiguous nature of SEW, Zientara (2017) asserts that the CSR initiatives and activities of family firms are more likely to reflect a selective rather than a normative motivation towards CSR.

As such, given the concern for preserving SEW, family firms are more likely to undertake socially responsible practices selectively or instrumentally, adopting an instrumental approach

to CSR. That is, family firms engage in CSR not because it is fundamentally good or morally right, but because it serves SEW-related interests and concerns, behaving in a self-serving manner. Accordingly, drawing on the ambivalent nature of SEW, this gives rise to consequent CSR-related contradictions, where family firms can be socially responsible and irresponsible at the same time (Cruz et al., 2014). Given the self-serving SEW drives and the resulting discriminatory behaviour, family firms exhibit a case of 'corporate schizophrenia' that is not typical of firms genuinely committed to CSR (Zientara, 2017), reinforcing the shadow of SEW's dark side that family firms confront.

In contrast, adopting a strategic approach to CSR, non-family firms consider the interests and demands of all firm stakeholders, in line with the strategic 'whole-business' view of responsibility (Font et al., 2012; Zientara, 2017). Unlike family firms, CSR presents a core element of the business philosophy of non-family firms that reinforces CSR initiatives and activities and sets targets for the firm and society at large (Coles et al., 2013). In doing so, non-family firms emphasise the wider social good, considering the strategic whole-business view of responsibility for the best interests of shareholders (Sen and Bhattacharya, 2001; Nelson, 2004). That is, they reconcile the corporate good with the social good as doing good basically leads to doing better. Specifically, firm engagement in CSR eventually contributes to the best benefit of shareholders by triggering the loyalty of and attracting socially minded investors and other stakeholders (Sen and Bhattacharya, 2001; Nelson, 2004; Carvalho et al., 2010; Wijesinghe, 2014).

Therefore, implementing an instrumental approach to CSR, CSR is not a core business strategy for family firms as they simultaneously adopt socially responsible practices related to external stakeholders and behave irresponsibly towards internal stakeholders. Particularly, unlike non-family firms, family firms view CSR as a marketing or public relations instrument to obtain (avoid) gains (losses) of SEW from the publicised firm engagement in CSR irrespective of the potential detriments and disadvantages for internal stakeholders, specifically employees (Cennamo et al., 2012). In other words, given the priority of protecting the non-economic utilities of key firm actors derived from the firm, stakeholders' interests and needs are disregarded whenever SEW is exposed to risk.

This is at odds with the strategic whole-business view of responsibility that entails, regarding social practices and decisions, unselective CSR initiatives and activities in terms of behaving responsibly towards all firm stakeholders, considering their distinct demands and interests across the entire value chain of the firm (Coles et al., 2013). Unlike the genuine commitment and normative motivation towards CSR that underlies the strategic approach of non-family firms, the instrumental approach of family firms implies selectively or

instrumentally carrying out socially responsible practices that primarily fulfil firm's narrowly defined SEW-related interests and concerns at the expense of specific firm stakeholders (Kellermanns et al., 2012; Cruz et al., 2014; Zientara, 2017).

In other words, building on the perspective of SEW preservation, CSR presents the means to serve family firms' self-interests of SEW rather than a core, authentic business strategy. The self-serving behaviour of family firms that SEW triggers, as well as the resulting discriminatory behaviour contradict the view of CSR as a force for the wider social good. These behaviours present using CSR instrumentally in protecting or expanding the affective endowments of key firm actors attached to the firm – given the multiple dimensions of SEW – rather than fulfilling the responsibilities of firms towards the society at large, generating poor publicity, negative image and unfavourable reputation for firms regarding firm engagement in CSR. Accordingly, as Zientara (2017) assert, SEW can be a negative stimulus, imposing the contradictions of social practices and decisions concerning stakeholder management that ultimately impact firm competitiveness and survival.

In consistency, emphasising the expropriation hypothesis, El Ghoul et al. (2016) find that, compared with non-family firms, family firms exhibit lower CSR performance, diverting firm resources to fulfil firm's self-interests in a self-serving manner. That is, stemming from the perspective of SEW preservation, family firms encounter the shadow of the dark side of SEW that weakens proactive stakeholder engagement and challenges stakeholder management, which imposes the firm negligence, guiltiness and suspiciousness in the eyes of firm stakeholders, undermining CSR performance in terms of the rating of firm engagement in CSR.

Accordingly, building on the SEW preservation perspective, it is argued that FLDFs undertake CSR initiatives and activities selectively or instrumentally relative to MLDFs, adopting an instrumental approach to CSR that serves SEW-related interests and concerns. Particularly, given the ambivalent nature of SEW, it is contended that FLDFs behave socially responsibly and irresponsibly at the same, worsening proactive stakeholder engagement and challenging stakeholder management. Thus, drawing on such corporate schizophrenia of FLDFs, in this study, I suggest that the dark side of SEW negatively affects the socially responsible practices of FLDFs, implying a negative effect of familiness on CSR performance.

5.2.2 Selective Coupling Response Strategy

Stemming from the perspective of ILs, firms respond to the multiple, typically competing, demands and pressures of logics by adopting different response strategies to deal with institutional complexity. Firms need to find ways to deal with such demands and expectations to obtain legitimacy from key external institutional referents (Friedland and Alford, 1991).

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

Regarding firm response strategies, institutional research has recently pointed to selective coupling response strategy, among others, to institutional demands and pressures in the context of coexisting and contradictory ILs. Emphasising hybrid firms, Pache and Santos (2013) shed light on selective coupling as a response strategy to institutional plurality. Given the contradictory demands and pressures that firms confront, selective coupling entails the purposeful enactment of selected elements and practices prescribed by different logics that projects firm appropriateness, allowing firms to satisfy self-interest and concerns.

Like other response strategies, selective coupling basically implies that firms undertake practices that best align with firm interests and goals, selectively combining or balancing practices and structures (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008; Bromley and Powell, 2012; Pache and Santos, 2013). Accordingly, firms adopt a selective coupling response strategy particularly when the pressures and demands that they encounter conflict with their interests and undermine their priorities. Similarly, stressing social enterprises from an institutional perspective, Mair et al. (2015) point to the use of selective coupling mechanism, adopting practices that best fit the firm. The scholars shed light on the distinct types of hybrid firms, emphasising commercial and social welfare logics.

Examining the setup of their governance structures in an institutional plurality context, Mair et al. (2015) identify two types of hybrids – conforming and dissenting – based on the response strategy adopted by firms to manage institutional complexity. Specifically, they assert that, in governing firms and achieving their strategic objectives, dissenting firms manage to combine and balance the demands and prescriptions of multiple logics, unlike conforming firms, by selective coupling or innovation mechanisms, where they operate under different, typically competing, logics. They note that as a result of selective coupling, firm arrangements are viewed as strategic tools to selectively run the business.

Concerning firm engagement in CSR, this is in line with the instrumental (selective) approach to CSR (Zientara, 2017), where, as previously mentioned, CSR presents the means of family firms to serve SEW-related interests and goals. Specifically, selectively adopting socially responsible practices that best fit them, family firms use CSR as a marketing or public relations instrument to avoid the risk exposure of the SEW of key firm actors by the publicised firm engagement in CSR regarding the social and environmental credentials of firms. Thus, stakeholders' interests and concerns are abandoned if SEW is threatened. Consistent with Pache and Santos (2013) and Mair et al. (2015) regarding selective coupling response strategy, this implies a purposeful enactment of selected social practices and decisions in relation to stakeholders' needs and interests that signals firm appropriateness, allowing firms to satisfy their self-interests related to SEW. Thereby, applying the response strategy of selective coupling

to the CSR context, this suggests the adoption of selective coupling response strategy to the demands and concerns of the various groups of stakeholders of family firms.

Drawing on the perspective of SEW preservation, SEW presents a key reference point around which FLDFs frame their social practices and decisions, given the interests and demands of firm stakeholders. Therefore, emphasising the response strategy of selective coupling, it is argued that FLDFs tend to implement (avoid) social practices and decisions that preserve or extend (threaten) SEW by selectively coupling CSR initiatives and activities. Particularly, stressing the concern for preserving the affective endowment of firm's key actors, in this study, I suggest that FLDFs adopt selective coupling response strategy in relation to firm engagement in CSR, responding to the demands and concerns of firm stakeholders distinctly.

Thus, stressing the perspective of SEW preservation that underlies the family logic in terms of a family-oriented attitude and preference and integrating the perspectives of SEW's dark side and selective coupling response strategy, it is contended that FLDFs and MLDFs undertake the socially responsible practices differently; thereby, they vary in CSR performance concerning the rating of firm engagement in CSR. Particularly, emphasising the influence of firm logic orientation on CSR performance, in this study, I propose that FLDFs perform worse compared with MLDFs regarding CSR. Building on the literature above, the following hypothesis is suggested:

H1: Relative to MLDFs, FLDFs are less socially responsible.

5.2.3 Firm Legitimacy Role

Founded in organisation theory, firm legitimacy is socially constructed as firm stakeholders – the members of society at large – evaluate firms based on certain explicit and implicit expectations, and in turn, accept and take for granted the legitimate firms (Suchman, 1995). According to Meyer and Rowan (1977), firm legitimacy is a survival-enhancing aspect of firms resulting from being efficient and conformed to myths in an organisational environment. They assert that it isolates firms from external pressures as it keeps firms from having their conduct questioned, and as such, firms become legitimate. Firms are thereby protected from being sanctioned. Firms are the subjects of legitimation as they seek acceptability and approval, whereas the internal and external stakeholders are the sources of legitimation as they observe and assess firms in terms of their practices and behaviour (Deephouse and Suchman, 2008).

Therefore, firm legitimacy represents the social judgment of firms by firm stakeholders to confer firms' social validation (Bitektine, 2011). As such, protecting the conduct of firms from being mistrusted, firm legitimacy infers the satisfaction and endorsement of firm stakeholders

regarding firm practices and decisions. In other words, the legitimation of firms mainly conveys their acceptance and approval conferred by firm stakeholders, who are the key actors of the context in which firms exist and operate, as a result of the perception of firm adherence and commitment to shared norms, beliefs, rules and expectations (Deephouse and Carter, 2005). Suchman (1995, p.577) elaborates that firm legitimacy namely addresses the 'generalised perception or assumption that the actions of an entity are desirable, proper or appropriate' within a social system, primarily triggering the social construction of favourable reputation for firms that plays a vital role in firm performance, competitiveness and survival (Aldrich and Fiol, 1994).

Drawing on resource-based theory, firm performance follows the resources, either tangible or intangible, and capabilities of firms (Acedo et al., 2006; Kunc and Morecroft, 2010). Organisational scholars widely agree that firm reputation is a private good that plays a key role in performance differences among firms, emphasising the significance of firms' intangible assets (e.g., Rao, 1994; Bitektine, 2011). Firm reputation particularly infers the relative standing, quality, esteem and favourableness of firms as it relates to the image, prestige, goodwill and position of firms relative to their counterparts (Deephouse and Carter, 2005). Therefore, a favourable reputation of firms effectively creates a positive image facilitates access to the resources, both financial and human capital, essential to run the business, improving firm performance, and thereby, enhancing the firm competitiveness and survival.

As an intangible resource, firm reputation is socially complex, unique and hard to trade or mimic. Accordingly, the social identity of firms, specifically firm reputation, significantly determines their fates because such a reputation is a key antecedent of firm performance. Emphasising the firm legitimacy perspective, the favourable firm reputation is the product of firms' social validation in terms of the acceptable, appropriate and proper practices and behaviour of firms in the widely shared system of values and beliefs (Berger and Luckmann, 1967). In other words, as firm legitimacy, firm reputation is socially constructed, where it is depicted as the outcome of the legitimation process that generates the status orderings of firms, and in turn, improves firms' competitiveness and survival through creating desirable image and acquiring mandatory business resources that enhance firm life chances (Aldrich and Fiol, 1994; Rao, 1994; Bitektine, 2011). Therefore, drawing on the social construction of firm reputation, there are predictable valued outcomes associated with firm legitimacy that help firms achieve their goals, enhancing firm's competitive advantages and survival (Suchman, 1995).

Such a strategic view of firm legitimacy consequences has prompted strategic management research to test how the legitimation of firms affects different firm dimensions. Among others, Choi and Shepherd (2005) investigate the effect of firm legitimacy on

stakeholders' support granted to firms. Examining how both internal and external stakeholders, such as employees, customers, suppliers, creditors and government bodies, assess firms to determine their support, the scholars find that stakeholders support firms based on their perceptions of firm legitimacy. Primarily, stakeholders' support, in terms of a long-term relationship with the firm that contributes to firm performance and serves the firm competitiveness and survival, is more likely for cognitively legitimate firms (Choi and Shepherd, 2005). Firm legitimacy thereby helps firms garner the support of firm stakeholders as another expected significant consequence of firm legitimation.

Like firm legitimacy that conveys the acceptance and approval of firms conferred by firm stakeholder concerning firm practices and behaviour (Suchman, 1995; Deephouse and Carter, 2005), CSR mainly concerns the consideration of the demands and interests of both internal and external stakeholders, who are the recipients of firm practices and decisions, for the wider social good (Freeman, 1984; Peterson, 2004). In other words, consistent with the firm legitimacy perspective, CSR stresses the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour that imply the social validation of firms (Bitektine, 2011), where firm stakeholders are the sources of firm legitimation. They specifically present the social evaluators of firms, which are the subjects seeking for firm legitimation in terms of the general perception or assumption of the appropriateness and properness of firm practices and decisions (Deephouse and Suchman, 2008). Therefore, both firm legitimacy and CSR address firm stakeholders as the social evaluators and recipients of firm practices and behaviour, respectively.

As such, emphasising the social validation of firms conferred by firm stakeholders, it is argued that firm legitimacy helps keep firms from having their conduct mistrusted or questioned concerning firm engagement in CSR. Particularly, the expected valued outcomes of firm legitimacy in terms of favourable firm reputation and stakeholders' support shed light on whether and how firm legitimacy affects CSR performance. This is because such socially constructed consequences of firm legitimation namely significantly contribute to firm performance, competitiveness and survival by creating positive image, facilitating access to essential business resources and granting a long-term relationship between firm stakeholders and the firm (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011). Accordingly, stressing the benefit and value associated with firm legitimacy in terms of enhancing firm performance, and as such, improving firm's competitive advantage and firm life chances (Aldrich and Fiol, 1994; Bitektine, 2011), it is contended that firm legitimacy has an upward implication for CSR performance regarding the evaluation of how firms perform in terms of the social and environmental effects of their practices and decisions.

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

The scholars have widely addressed CSR as a strategy to strive for firm legitimacy (e.g., Yoon et al., 2006; Du and Vieira, 2012; Zheng et al., 2015). However, drawing on the predictable significant outcomes of firm legitimation, in this study, I emphasise firm legitimacy as an input of firm social performance, proposing that it improves the perception of firms' CSR in terms of the rating of firm engagement in CSR in accordance with the inferred satisfaction and endorsement of firm stakeholders as the social evaluators and recipients of firm practices and decisions. Thus, it is argued that firm legitimacy helps firms obtain social gains in relation to enhancing the impression of the CSR of firms, where firm legitimacy is a survival-enhancing feature of firms. Particularly, building on the perspective of firm legitimacy, in this study, I purport that firms mitigate their bad publicity, unfavourable image and poor reputation regarding firm engagement in CSR given the expected valued consequences of firm legitimation, deriving social gains from firm legitimacy.

Regarding legitimacy-seeking activities, Bitektine (2011) assert that there are different criteria to assess firm legitimacy. According to Suchman (1995), conformity to the environment is the best way to obtain firm legitimacy. In consistency, testing the relationship between conformity and legitimacy, Deephouse (1996) finds a positive effect of conformity on firm legitimacy in terms of the endorsement earned from the sources of legitimation. Therefore, firm legitimacy is achieved and – by extension – assessed by the isomorphism or conformity of firms relative to their peers (Deephouse, 1999), mainly via the degree of fit between firm and industry in terms of being isomorphic to industry peers.

Firm legitimacy is thus broadly proxied in the literature by firm isomorphism, which is believed to facilitate firm stakeholders' satisfaction and endorsement that infer firm acceptance and approval concerning firm practices and decisions (Deephouse and Carter, 2005). Relatedly, stressing the construction of firm legitimacy, Khoury et al. (2013) suggest a signalling framework where firms, the signal senders, influence the judgments of – firm stakeholders – social evaluators, the signal recipients, through signals that convey firm legitimacy, and in turn, improve firm competitiveness and survival. The scholars assert that such an influence entails firm isomorphism specifically through the implementation of isomorphic practices to those of industry peers, where this serves as signals that infer firm legitimacy. Particularly, the isomorphism of firms presents the means to burnish and control the uncertainty of firm acceptance and approval in terms of the appropriateness and properness of firm practices and behaviour.

This is particularly relevant to the key assumption made by institutional theory that firm isomorphism generates and improves firm legitimacy. Firm isomorphism is a fundamental concept of institutional theory that indicates the extent of similarity among firms within a given

industry per particular firm attributes (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Deephouse and Carter (2005) assert that as firm isomorphism generates and improves firm legitimacy, firm legitimacy drives firms to adopt isomorphic or similar practices. That is, seeking legitimacy gives rise to the awareness of peer firms about embracing a mimicking behaviour. According to Deephouse (1999), this results in a move towards namely mimetic isomorphism to meet the preferences or widely shared practices of market or industry.

Similarly, stressing the institutional distance between home and host countries, Salomon and Wu (2012) point to the strategy of local isomorphism that foreign firms pursue to mitigate such a distance or difference. Specifically, foreign firms imitate the practices of domestic firms to achieve firm legitimacy. Given the expected significant socially constructed outcomes of firm legitimation (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011), they thereby create a good image and obtain access to essential resources, both financial and human capital, for running the business, enhancing firm performance, competitiveness and survival. Therefore, by adopting such a mitigating strategy, firms overcome the disadvantages and difficulties that they encounter because of distance or idiosyncrasy that results in a lack of firm legitimacy.

Emphasising mimetic isomorphism as a key antecedent of firm legitimacy, Deephouse (1996) states that firm isomorphism is manifested primarily as conformity or similarity regarding firm strategies, where firms seek legitimacy through 'strategic conformity.' Legitimate firms essentially appear to be rational social systems and are deemed acceptable by firm stakeholders as they conform to commonly adopted strategies within an industry, where strategic conformity has a positive effect on firm legitimacy (Deephouse, 1996; Westphal et al., 1997). Accordingly, the legitimacy-seeking activity of strategic conformity, in terms of adopting isomorphic strategies, serves as a proximal measure of firm legitimacy. Specifically, as firm isomorphism generates and improves firm legitimacy, the greater the strategic conformity (idiosyncrasy), the higher (lower) the firm legitimacy.

Accordingly, given the predictable valued consequences of firm legitimacy, it is contended that firms derive social gains from the adoption of isomorphic strategies – a legitimacy-seeking activity. Specifically, drawing on the firm isomorphism perspective, in this study, I propose that strategic conformity has an incremental advantage for CSR performance as it positively affects the perception of firms' CSR in terms of the rating of firm engagement in CSR. Building on the above literature, the following hypothesis is formulated:

H2: Strategic conformity has a positive impact on CSR performance.

As outlined above, drawing on the perspectives of firm theory and market discipline, unlike FLDFs, MLDFs probably behave socially responsibly towards all firm stakeholders,

adopting a strategic approach to CSR (Zientara, 2017). They do so for the best interests of shareholders as doing good basically leads to doing better, reconciling the corporate good with the social good (Sen and Bhattacharya, 2001; Nelson, 2004). Therefore, MLDFs may actively seek their acceptance and approval conferred by firm stakeholders concerning firm practices and decisions through effectively and unselectively responding to the demands and interests of both internal and external stakeholders. In other words, MLDFs are likely to effectively strive for achieving firm legitimacy in terms of firm's social validation regarding the appropriateness and properness of firm practices and behaviour (Freeman, 1984; Suchman, 1995) in relation to CSR initiatives and activities. As such, relative to FLDFs, MLDFs may be more socially responsible, keenly counting the social and environmental impacts of their practices and decisions.

Stressing the CSR and firm legitimacy perspectives, this supports the understanding of CSR as a strategic mechanism for obtaining firm legitimacy (Yoon et al., 2006; Du and Vieira, 2012; Filatotchev and Nakajima, 2014; Zheng et al., 2015). Accordingly, it is argued that firm stakeholders accept MLDFs as legitimate; this is in accordance with their fulfilment of the interests and concerns of all firm stakeholders, consistent with the strategic whole-business view of responsibility (Font et al., 2012; Zientara, 2017). That is, stressing the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour, the firm legitimacy of MLDFs may be taken for granted. Accordingly, MLDFs normally possess its benefit and advantage relating to the socially constructed outcomes of firm legitimation (Choi and Shepherd, 2005; Bitektine, 2011).

In contrast, building on the SEW's dark side perspective, FLDFs are likely to be less socially responsible compared with MLDFs, where they treat internal and external stakeholders unequally and unfairly, as well as discriminate among internal stakeholders themselves in alignment with SEW-related interests and goals, adopting an instrumental approach to SCR (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014; Zientara, 2017). Specifically, given the priority of preserving the non-economic benefits of firm's key actors attached to the firm, FLDFs act selectively and opportunistically, responding to the interests and demands of firm stakeholder differently in a self-serving manner. This addresses negative effects of SEW on the firm stakeholders of FLDFs relating to less proactive stakeholder engagement and detrimental stakeholder management (Kellermanns et al., 2012), undermining the CSR performance of FLDFs.

Specifically, given the multidimensional character and ambivalent nature of SEW, the dimensions of SEW can be contradictory from a CSR perspective, where they can be associated with pleasant (positive) and unpleasant (negative) emotions and outcomes regarding firm stakeholders. Emphasising social practices and decisions, this results in CSR-related

contradictions in accordance with serving FLDFs' self-interests related to SEW. Accordingly, FLDFs may behave both good and bad simultaneously, exhibiting a case of corporate schizophrenia (Zientara, 2017). Thus, stressing CSR initiatives and activities, it is contended that FLDFs lack firm legitimacy as a result of the discrimination between internal and external stakeholders and the unequal and unfair treatment of internal stakeholders. In other words, emphasising the satisfaction and endorsement of firm stakeholders concerning firm practices and decisions, the firm legitimacy of FLDFs may be deficient given the self-serving behaviour that SEW drives, as well as the resulting discriminatory behaviour towards firm stakeholders (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014), which generate poor publicity, negative image and unfavourable reputation for FLDFs concerning firm engagement in CSR, imposing the imprudence, guiltiness and suspiciousness of FLDFs in the eyes of firm stakeholders.

Accordingly, stressing the difference in CSR performance between FLDFs and MLDFs, in this study, I posit that FLDFs and MLDFs vary concerning firm legitimation in relation to the satisfaction and endorsement of firm stakeholders regarding social practices and decisions. Further, drawing on the presumable discrepancy in firm legitimacy between FLDFs and MLDFs associated with the aforementioned difference in CSR performance, it is argued that the social gains derived from firm legitimacy, regarding improving the perception of firms' CSR, are a function of firm logic orientation. Particularly, presuming the taken-for-granted firm legitimacy of MLDFs, in this study, I suggest that seeking legitimacy, in terms of adopting isomorphic strategies, has no substantial incremental value for MLDFs concerning CSR performance as they normally retain the advantages and values of firm legitimacy.

In contrast, because of the lack of firm legitimacy, unlike MLDFs, FLDFs may be rewarded for seeking legitimacy in terms of enhancing the impression of their CSR regarding the evaluation of how firms perform in terms of the social and environmental consequences of their practices and decisions. This is in accordance with the perceived satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour, and the expected valued outcomes of firm legitimation in terms of favourable firm reputation and stakeholders' support. Therefore, in this study, I propose that seeking legitimacy has a substantial incremental advantage for FLDFs regarding CSR performance.

Moreover, given that CSR presents a strategy for achieving firm legitimacy, the perception of firm legitimacy through legitimacy-seeking activities may infer the potential for firm engagement in CSR to maintain such firm legitimation (Yoon et al., 2006; Du and Vieira, 2012; Zheng et al., 2015), improving the view of CSR in terms of the rating of firm engagement in CSR. Building on the firm theory and market discipline perspectives, MLDFs are likely to

use CSR as a core business strategy for the best interests of shareholders, where they adopt a strategic approach to CSR, and as such, actively seek and obtain firm legitimacy.

Thus, such an inference from seeking legitimacy through adopting isomorphic strategies may be of less interest to MLDFs, strategic conformity having no substantial incremental value for the CSR performance of MLDFs. In contrast, it is perhaps of more interest to FLDFs, strategic conformity possessing a substantial incremental advantage for FLDFs' CSR performance. This is because FLDFs are probably less socially responsible, and in turn, less legitimate relative to MLDFs. Unlike MLDFs, they are likely to undertake CSR initiatives and activities selectively and instrumentally to fulfil SEW-related goals and concerns, viewing CSR as a marketing or public relations tool, where FLDFs adopt an instrumental approach to CSR. That is, legitimacy-seeking activities, specifically strategic conformity, probably work best for FLDFs. Therefore, in this study, I propose that FLDFs and MLFDs differ regarding the effect of strategic conformity – a legitimacy-seeking activity – on CSR performance.

Accordingly, in this study, I mainly extend the initial argument on the difference in CSR performance between FLDFs and MLDFs to further highlight the moderating role of firm logic orientation concerning the strategic conformity-CSR relationship, stressing the interplay of firm logic orientation, legitimacy seeking and CSR. Drawing on the firm legitimacy and isomorphism perspectives, it is argued that FLDFs manage to offset the otherwise negative impact of familiness on CSR performance through seeking legitimacy in terms of adopting isomorphic practices, namely strategic conformity, obtaining social gains from firm legitimation. Particularly, building on the discrepancy in firm legitimacy, in this study, I propose that strategic conformity has a substantial incremental value for the CSR performance of FLDFs compared with MLDFs, alleviating their imprudence, guiltiness and suspiciousness in the eyes of firm stakeholders in relation to SEW's dark side. Drawing on the literature above, the following hypothesis is suggested:

> H3: The strategic conformity-CSR relationship is more pronounced in FLDFs relative to MLDFs.

Figure 5.1 summarises the conceptual framework of the study.

5.3 Data & Methodology Design

5.3.1 Sample Selection & Data Description

The sample is based on all firms listed on the S&P 1500 index throughout the period of 2006–2016. To be included in the sample, firms must be identified and reported on Compustat (Fundamentals Annual) concerning a range of financial and business segment data. I start with an initial sample of 10591 firm-year observations for about 1400 firms. However, in this

chapter, I restrict firm-year observations to the period of 2006–2013 based on the available data of ESG performance. I retrieve ESG data from MSCI (MSCI ESG KLD Stats) regarding CSR, the main construct of study. In addition, firms must have data on Execucomp (Annual Compensation) and the Centre for Research in Security Prices (Monthly Stock Files) concerning executive compensation and ownership and outstanding shares, respectively. I include firms for which the complete data are available for a minimum of two years. Following literature, I also exclude firms operating in the public utilities and financial services sectors that are subject to distinct regulations (SIC code: 4900-4999 and 6000-6999, respectively). These criteria yield to a final sample comprised of 3984 firm-year observations from 784 firms in the period of 2006–2013. Table 5.1 reports the time series and size of the sample.

5.3.2 Variables Construction

5.3.2.1 Dependent Variable

The dependent variable is the CSR performance of firm (CSR) in terms of the rating of firm engagement in CSR. Importantly, despite that CSR is a strategic tool for firms to achieve firm legitimacy, I employ CSR from a different perspective. In particular, rather than simply a legitimacy-seeking activity, here, CSR presents a sort of firm output – firm social performance – that results from firm strategic decisions on firm practices that potentially affect society and environment, given the ESG performance benchmarks. Therefore, building on the emphasis of stakeholder theory regarding the wider social good (Freeman, 1984), the construct of CSR aims at evaluating how firms perform in terms of the social and environmental consequences of firm practices and decisions, emphasising the ESG strengths and concerns that firm possesses and confronts, respectively, irrespective of the underlying reason of firm engagement in CSR. Accordingly, the measure of CSR subjectively addresses and ranks the way the firm performs on a number of ESG categories concerning the social and environmental effects of firm practices and decisions, that is, it is based on the standards of ESG performance.

The data of CSR are retrieved from MSCI database, which provides positive and negative ESG performance indicators. Following Goss and Roberts (2011) and Lins et al. (2017), I measure CSR performance using the composite net CSR index, which is calculated as the sum of all net CSR indices across the ESG categories that present particularly the difference between strength and concern subcategories. Specifically, there are seven categories of ESG performance, including community, diversity, environment, human rights, employee relations, governance and product. Each category involves both ESG strength (+1) and concern (-1) subcategories, which represent the positive and negative CSR policies that, respectively, add to

and subtract from the net CSR index of the corresponding category, implying the way a firm performs regarding the ESG performance benchmarks.

For a given firm-year, I compute the net CSR index for each category as the difference between the strength index and the concern index. For the strength (concern) index, firm's number of strengths (concerns) of a category is scaled by the possible maximum number of strengths (concerns) of the category in a given year. Then, for each firm-year, I compute the composite net CSR index as the sum of all net CSR indices across all categories, representing the rating of firm engagement in CSR. Based on the approach of measuring CSR, it basically poses a subjective assessment of CSR initiatives and activities regarding how firms perform on a number of ESG categories, namely ESG performance indicators (+/-) that tackle the social and environmental consequences of firm practices and decisions in terms of the strengths and concerns addressed by each category.

5.3.2.2 Independent Variables

Emphasising the institutional-based classification of firms, one key explanatory variable is firm logic orientation ($LogicOrientation$), a three-level categorical variable on the basis of the developed logic orientation index that suggests different types of firms in terms of the logic-based group in accordance with the familiness, hybrid or marketness logic orientation of firms. According to the logic orientation index, firms are classified in the first, presenting the familiness logic orientation of firms; second, presenting the hybrid logic orientation of firms; or third, presenting the marketness logic orientation of firms, logic-based group of FLDFs, hybrid firms and MLDFs, respectively. Therefore, building on the logic orientation index, the firm logic orientation variable ($LogicOrientation$) takes a value of "1" for the familiness logic orientation of FLDFs, "2" for the hybrid logic orientation of hybrid firms, or "3" for the marketness logic orientation of MLDFs. Importantly, I allow firms to shift between the categories of the institutional-based classification across years to closely capture the discrepancy in firm behaviour from year to year.

Another independent variable of interest is the interaction term of firm logic orientation – both familiness and marketness – and strategic conformity, emphasising the contrast particularly between FLDFs and MLDFs. Incorporating such interaction mainly addresses, apart from the main effect of the logic orientation of firms, the moderation effect of firm logic orientation on the relationship between strategic conformity and CSR. Stressing the firm legitimacy perspective, I focus on the legitimacy-seeking activities of firms in terms of adopting isomorphic practices to those of industry peers, namely mimetic isomorphism, to proxy for firm legitimacy as firm isomorphism generates and improves firm legitimation in terms of firm

acceptance and approval. Therefore, I use the strategic conformity of firms, namely the conformity of asset strategies, as the criterion by which firm legitimacy is assessed, presenting a proximal measure of firm legitimacy where, drawing on the firm isomorphism perspective, greater strategic conformity suggests higher firm legitimacy (Deephouse, 1996).

Strategic conformity is a firm-level construct that represents the extent of similarity or isomorphism relating to the adopted firm strategies in a certain industry at a particular point in time, conforming to norms of a strategic behaviour. Strategies are inherently uncertain as they entail commitment to doing business in a certain way in the future. Drawing on uncertain strategies and business conditions, mimicking behaviour is likely regarding firm strategies. That is, to achieve future business success and enhance firm competitiveness and survival, firms imitate successful strategies in the face of uncertainty, implying a mimetic isomorphism where firms imitate others in the choice of strategies (Deephouse, 1999). Therefore, proxying for firm legitimacy, I measure strategic conformity ($StrategicConformity$) as the extent of similarity of a focal firm's asset strategies to those of other firms in its industry, following Deephouse (1996) and Finkelstein and Hambrick (1990).

The asset strategy reflects the allocation of firm's resources in terms of the proportion of total assets committed to a certain asset. It is an operational strategic choice as firms have latitude in determining their assets mix. The asset strategies are the key strategy variables to be used to measure strategic conformity. Specifically, I first compute each asset strategy, including cash, receivables, inventory and fixed assets, as a proportion of firm's total assets in a given year. Second, I compare each asset strategy variable to the industry-year mean, for all firms, of that variable and standardise the value by dividing by the industry-year standard deviation, for all firms, of that variable.

This mainly measures how a focal firm's asset strategy deviates from the industry average. Third, for each firm, I sum the absolute values of all asset strategy variables. Finally, I multiply the total value by (-1) to convert the deviation into the isomorphism or conformity of firm in a given year, absence of differences from counterparts in industry. Emphasising the firm isomorphism perspective, the greater the strategic conformity (idiosyncrasy), the higher (lower) the firm legitimacy as firm isomorphism generates and improves firm legitimation (Meyer and Rowan, 1977; Deephouse and Carter, 2005). Therefore, this value represents firm's overall isomorphism; larger (smaller) values – less (more) negative numbers – indicate greater conformity or isomorphism (idiosyncrasy), where the focal firm more (less) closely resembles industry peers in that year, and in turn, higher (lower) firm legitimacy. Data are obtained from Compustat (Fundamentals Annual).

To gain insight about the moderation effect of firm logic orientation on strategic conformity-CSR relationship, I use two dichotomous variables of firm type, in terms of the logic-based group, as moderators or conditioning variables, capturing the firm logic orientations of familiness and marketness against other logic orientations separately. Specifically, building on the logic orientation index, the first moderator ($FamilyFirm$) is an indicator variable that equals 1 for the familiness logic orientation of FLDFs, and 0 otherwise – hybrid firms and MLDFs, and the second moderator ($MarketFirm$) is an indicator variable that equals 1 for the marketness logic orientation of MLDFs, and 0 otherwise – hybrid firms and FLDFs, to simplify the structure of data and results interpretation. As hybrid firms display an overlap between familiness and marketness regarding firm practices and decisions, they represent a grey area between FLDFs and MLDFs. In this case, they are basically thought neutral regarding firm logic orientation as they do not have strongly marked practices. In turn, I emphasise the contrast particularly between the extreme logic-based groups of FLDFs and MLDFs.

5.3.3 Empirical Methodology & Model Specification

I primarily investigate the role of ILs concerning firm logic orientation in the context of CSR by estimating the following baseline regression models using the pooled sample and ordinary least-squares (OLS) method in the preliminary analysis. In model (1), I first test the association between firm logic orientation and CSR. In model (2), I examine the effect of strategic conformity, as a legitimacy-seeking activity, on CSR performance. Further, in models (3) and (4), I address the association between firm legitimacy and CSR, given the logic orientation of firms – familiness and marketness – testing the presence of interaction regarding the moderation effect of firm logic orientation.

$$
\begin{aligned}
CSR_{it} = \; & \alpha + \beta_1 \, FamilyFirm_{it} + \beta_2 \, MarketFirm_{it} + \beta_3 \, FirmSize_{it} \\
& + \beta_4 \, Risk_{it} + \beta_5 \, DividendPayout_{it} + \beta_6 \, Debt_{it} \\
& + \beta_7 \, Performance_{it} + \beta_8 \, SlackResources_{it} \\
& + \beta_9 \, AdvertisingExpenditure_{it} + \beta_{10} \, CapitalExpenditure_{it} \\
& + \beta_{11} \, SGAExpenditure_{it} + \beta_{12} \, FreeCashFlow_{it} \\
& + \beta_{13} \, ShortIncentive_{it} + \beta_{14} \, LongIncentive_{it} \\
& + \beta_{15} \, ExecutiveOwnership_{it} + \beta_{16} \, ExecutiveAge_{it} \\
& + \beta_{17} \, ExecutiveTenure_{it} + \beta_{18} \, ExecutiveGender_{it} \\
& + \beta_{19} \, Duality_{it} + \beta_{20} \, BoardIndependence_{it} + Industry \\
& + Year + \varepsilon
\end{aligned}
\tag{1}
$$

$$
\begin{aligned}
CSR_{it} = {} & \alpha + \beta_1\, StrategicConformity_{i,t-1} + \beta_2\, FirmSize_{it} + \beta_3\, Risk_{it} \\
& + \beta_4\, DividendPayout_{it} + \beta_5\, Debt_{it} + \beta_6\, Performance_{it} \\
& + \beta_7\, SlackResources_{it} + \beta_8\, AdvertisingExpenditure_{it} \\
& + \beta_9\, CapitalExpenditure_{it} + \beta_{10}\, SGAExpenditure_{it} \\
& + \beta_{11}\, FreeCashFlow_{it} + \beta_{12}\, ShortIncentive_{it} \\
& + \beta_{13}\, LongIncentive_{it} + \beta_{14}\, ExecutiveOwnership_{it} \\
& + \beta_{15}\, ExecutiveAge_{it} + \beta_{16}\, ExecutiveTenure_{it} \\
& + \beta_{17}\, ExecutiveGender_{it} + \beta_{18}\, Duality_{it} \\
& + \beta_{19}\, BoardIndependence_{it} + Industry + Year + \varepsilon
\end{aligned}
\tag{2}
$$

$$
\begin{aligned}
CSR_{it} = {} & \alpha + \beta_1\, FamilyFirm_{it} + \beta_2\, StrategicConformity_{i,t-1} \\
& + \beta_3\, FamilyFirm \times StrategicConformity_{i,t-1} \\
& + \beta_4\, FirmSize_{it} + \beta_5\, Risk_{it} + \beta_6\, DividendPayout_{it} \\
& + \beta_7\, Debt_{it} + \beta_8\, Performance_{it} + \beta_9\, SlackResources_{it} \\
& + \beta_{10}\, AdvertisingExpenditure_{it} + \beta_{11}\, CapitalExpenditure_{it} \\
& + \beta_{12}\, SGAExpenditure_{it} + \beta_{13}\, FreeCashFlow_{it} \\
& + \beta_{14}\, ShortIncentive_{it} + \beta_{15}\, LongIncentive_{it} \\
& + \beta_{16}\, ExecutiveOwnership_{it} + \beta_{17}\, ExecutiveAge_{it} \\
& + \beta_{18}\, ExecutiveTenure_{it} + \beta_{19}\, ExecutiveGender_{it} \\
& + \beta_{20}\, Duality_{it} + \beta_{21}\, BoardIndependence_{it} + Industry \\
& + Year + \varepsilon
\end{aligned}
\tag{3}
$$

$$
\begin{aligned}
CSR_{it} = {} & \alpha + \beta_1\, MarketFirm_{it} + \beta_2\, StrategicConformity_{i,t-1} \\
& + \beta_3\, MarketFirm \times StrategicConformity_{i,t-1} \\
& + \beta_4\, FirmSize_{it} + \beta_5\, Risk_{it} + \beta_6\, DividendPayout_{it} \\
& + \beta_7\, Debt_{it} + \beta_8\, Performance_{it} + \beta_9\, SlackResources_{it} \\
& + \beta_{10}\, AdvertisingExpenditure_{it} + \beta_{11}\, CapitalExpenditure_{it} \\
& + \beta_{12}\, SGAExpenditure_{it} + \beta_{13}\, FreeCashFlow_{it} \\
& + \beta_{14}\, ShortIncentive_{it} + \beta_{15}\, LongIncentive_{it} \\
& + \beta_{16}\, ExecutiveOwnership_{it} + \beta_{17}\, ExecutiveAge_{it} \\
& + \beta_{18}\, ExecutiveTenure_{it} + \beta_{19}\, ExecutiveGender_{it} \\
& + \beta_{20}\, Duality_{it} + \beta_{21}\, BoardIndependence_{it} + Industry \\
& + Year + \varepsilon
\end{aligned}
\tag{4}
$$

In models (1) through (4), the dependent variable CSR_{it} is CSR performance in terms of the rating of firm engagement in CSR measured by the composite net CSR index on the basis of

ESG performance indicators. In models (1), (3) and (4), I primarily emphasise the effect – both main and moderation – of firm logic orientation through the empirical window of CSR. In the existing finance and CSR literature, CSR performance has been widely used as an input in models explaining firm economic performance. However, here, I do not explain the firm aspects by means of CSR. Instead, stemming from the perspective of the dark side of SEW, I use CSR performance as an output of models emphasising the logic orientation of firms that depicts and defines the firm type in terms of the logic-based group concerning the embeddedness of family and market logics by which a firm is driven.

In particular, stressing the ILs perspective, CSR presents a sort of firm output that results from firm strategic decisions on firm practices – potentially affecting society and environment – which are tangible manifestation of ILs as covert drivers of firm behaviour (Friedland and Alford, 1991; Greenwood et al., 2010). Therefore, emphasising the endogeneity concerns, the models mainly address the influence of ILs on an outcome of CSR that alone would unlikely determine the logic orientation of firms as a reverse causality issue, presenting a more behavioural and descriptive institutional-based approach rather than a normative economic rationality. That is, considering the possibility of an endogenous relationship between firm logic orientation and CSR performance, I posit that this is not the case and, as such, does not affect the study.

To incorporate the logic-based group of firms, I essentially build on the developed logic orientation index that suggests the firm type by identifying the extent of logics that firms embed in their decision making in terms of the familiness, hybrid or marketness logic orientation of firms. Testing H1, I am mainly interested in the effect of firm type in terms of the logic-based group on their socially responsible practices, emphasising the main effect of firm logic orientation. Therefore, to gain insight about how the embeddedness of family and market logics influences CSR, I particularly use the firm logic orientation variable ($LogicOrientation_{it}$); a three-level categorical variable which is decomposed into three indicator or dummy variables of which, for multicollinearity-related issues, two are included in model (1) specification.

Specifically, in model (1), I include both the logic-based group of FLDFs ($FamilyFirm_{it}$), an indicator variable that equals 1 if the firm logic orientation value is 1, presenting the familiness logic orientation of firms, and 0 otherwise; and the logic-based group of MLDFs ($MarketFirm_{it}$), an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of firms, and 0 otherwise. To avoid perfect collinearity, the middle logic-based group of hybrid firms ($HybridFirm_{it}$) serves as a

reference category for which the firm logic orientation value is 2 presenting the hybrid logic orientation of firms, an overlap between familiness and marketness.

Emphasising the model intercept, model (1) is designed to allow for differences in the intercepts among the logic-based groups. In the baseline model, there are no interaction terms. In this case, I assume that the independent variables in the model have the same effect; slope, for all logic-based groups. However, looking at the intercept of the model, it is expected to be different for hybrid firms ($HybridFirm_{it}$) than for other logic-based groups, FLDFs ($FamilyFirm_{it}$) and MLDFs ($MarketFirm_{it}$). The coefficients' estimates for FLDFs and MLDFs tell how much higher (or lower) their intercepts are relative to that for the reference category of hybrid firms. Hence, the reported intercept (constant) from regression is the intercept for those firms that are neither market logic-driven nor family logic-driven, and the intercept ± coefficient's estimate is the intercept for the corresponding logic-based group other than hybrid firms, indicating the effect of firm type in terms of the logic-based group on CSR performance.

Basically, H1 is a baseline hypothesis that emphasises the association between firm logic orientation and CSR, and, relatedly, H2 and H3 extend the argument to introduce firm legitimacy as an input of CSR performance. Particularly, H2 first stresses the relationship between strategic conformity –a legitimacy-seeking activity – and CSR. Therefore, model (2) aims to test the main effect of strategic conformity ($StrategicConformity_{i,t-1}$), a proximal measure of firm legitimacy measured as the extent of similarity of a focal firm's asset strategies to those of industry peers, on CSR performance. Further, while testing H1 addresses the main effect of firm logic orientation in light of firm engagement in CSR, testing H3 emphasises the contrast particularly between FLDFs and MLDFs regarding the moderation effect of the logic orientations of firms – familiness and marketness – on, particularly the magnitude of, the relationship between strategic conformity and CSR.

To simplify the data structure and results interpretation, I employ two different interaction models, separately capturing the firm logic orientations of familiness ($FamilyFirm_{it}$) and marketness ($MarketFirm_{it}$) against other logic orientations in models (3) and (4), respectively. Therefore, unlike model (1), models (3) and (4) include interaction terms, addressing the moderation effect of firm logic orientations of familiness and marketness, respectively, in terms of assuming different relationship between strategic conformity and CSR as a function of the logic orientation of firms. Specifically, in models (3) and (4), the moderator variables of familiness and marketness; indicator variables that equal 1 for the corresponding firm logic orientation, and 0 otherwise, are separately interacted with the variable of strategic conformity

($StrategicConformity_{i,t-1}$) in an interaction term which is the main predictor of CSR performance.

Specifically, the interaction term is the product of the marketness or familiness indicator and the continuous variable of strategic conformity, stressing the difference in strategic conformity-CSR relationship among the logic-based groups of firms. In an interaction empirical setting, strategic conformity variable is mean-centred putting the observations of a variable into deviation observation form by simply subtracting the industry-year mean from all firms' observations of the variable (Holmbeck, 2002). According to the computation of interaction, the main effects are highly correlated with the interaction term, so mean-centring mitigates the potential problematic multicollinearity between the first-term predictors and any higher order interaction terms among them and facilitates testing the simple slopes (Aiken et al., 1991; Holmbeck, 1997; Holmbeck, 2002). Further, proxying for firm legitimacy, strategic conformity variable is lagged one year to mitigate the reverse effect of CSR as an issue of potential endogeneity, assuming weakly exogenous variables, where CSR presents a potential firm strategy for achieving firm legitimacy.

Testing H3 goes in two steps, following Holmbeck (2002) as described in the previous chapter – Chapter 4. First, I examine the significance of the moderation effect of firm logic orientation – familiness and marketness – on the relationship between strategic conformity and CSR, testing the presence of an interaction. However, the statistically significant interaction provides no information about the significance of the individual simple slopes; singificant difference from zero. In other words, the initial significant moderation effect tells nothing about whether the strategic conformity-CSR relationship is significant for the first logic-based group of firms, the comprable logic-based group of firms, both or none of the opposing logic-based groups of firms of the moderator.

Therefore, second, if an interaction term is statistically significant, a simple slope test is conducted applying a post-hoc regression, post-hoc probing the significant moderation effect to examine whether the relationship between strategic conformity and CSR is significant for one, both or none of the comparable logic-based groups of the moderator. The post-hoc probing analysis goes through a sequential process. First, for each original moderator – familiness ($FamilyFirm_{it}$) and marketness ($MarketFirm_{it}$) – I create two new conditional moderator variables – $FamilyFirm\_Family_{it}$ and $FamilyFirm\_Other_{it}$, and $MarketFirm\_Market_{it}$ and $MarketFirm\_Other_{it}$, respectively – to run two separate post-hoc regressions. Specifically, as detailed below, stressing the logic orientation of firms, one logic-based group of firms is assigned a value of 0 in one regression and the other logic-based group of firms is

assigned a value of 0 in the other regression, upholding that one group is always higher than the other when running both regressions.

For the familiness moderator ($FamilyFirm_{it}$, 1 for FLDFs and 0 otherwise):

- $FamilyFirm\_Other_{it} = FamilyFirm_{it}$ (values are equivalent to the original moderator; 0 for other firms and 1 for FLDFs).
- $FamilyFirm\_Family_{it} = FamilyFirm_{it} - 1$ (values are -1 for other firms and 0 for FLDFs).

For the marketness moderator ($MarketFirm_{it}$, 1 for MLDFs and 0 otherwise):

- $MarketFirm\_Other_{it} = MarketFirm_{it}$ (values are equivalent to the original moderator; 0 for other firms and 1 for MLDFs).
- $MarketFirm\_Market_{it} = MarketFirm_{it} - 1$ (values are -1 for other firms and 0 for MLDFs).

Second, I compute new interactions incorporating each of the new variables above. Note that the continuous independent variables are mean-centred before conducting any regression analysis.

For the familiness new conditional moderator variables, I compute below interactions:

- $FamilyFirm\_Other_{it} \times StrategicConformity_{i,t-1}$
- $FamilyFirm\_Family_{it} \times StrategicConformity_{i,t-1}$

For the marketness new conditional moderator variables, I compute below interactions:

- $MarketFirm\_Other_{it} \times StrategicConformity_{i,t-1}$
- $MarketFirm\_Market_{it} \times StrategicConformity_{i,t-1}$

Third, using the above new conditional moderator variables and interactions, I run two post-hoc regressions, one for each of the two new conditional moderator variables of familiness and marketness, to test the significance of the simple slope for each category of the original moderators. Specifically, running the post-hoc regressions, I generate the simple slopes, representing the relationship between strategic conformiry and CSR, for the (1) FLDFs category, (2) other firms category of hybrid firms and MLDFs, (3) MLDFs category and (4) other firms category of hybrid firms and FLDFs. Basically, stemming from models (3) and (4), in each post-hoc regression model, I enter simultaneously the main effect of the independent variable of strategic conformity, one new conditional moderator variable and the interaction among them, controlling for the year and industry fixed effects, as shown in models (3.1) through (4.2).

This, in turn, generates logic-based group-specific regression models. Holmbeck (2002) further explains that substitsuting a value of 0 for the new conditional moderator variable in each model, for both main effect and interaction term, keeps only the coeffiecient of the predictor variable of concern, namely strategic conformity, and the intercept of the model. Interestingly, plugging in a value of 0, the coefficient on the strategic conformity variable is the

simple slope of the regression line representing the relationship – I test for its significance – between stategic conformity and CSR for a signle category, which is a logic-based group(s) of firms, of the original moderatorfor which the value is 0 and is, as such, represented by an individual post-hoc regression model in the following form (Holmbeck, 2002).

$$CSR_{it} = \alpha + \beta_1 FamilyFirm\_Family_{it} + \beta_2 StrategicConformity_{i,t-1} + \beta_3 FamilyFirm\_Family_{it} \times StrategicConformity_{i,t-1} + Industry + Year + \varepsilon \quad (3.1)$$

$$CSR_{it} = \alpha + \beta_1 FamilyFirm\_Other_{it} + \beta_2 StrategicConformity_{i,t-1} + \beta_3 FamilyFirm\_Other_{it} \times StrategicConformity_{i,t-1} + Industry + Year + \varepsilon \quad (3.2)$$

$$CSR_{it} = \alpha + \beta_1 MarketFirm\_Market_{it} + \beta_2 StrategicConformity_{i,t-1} + \beta_3 MarketFirm\_Market_{it} \times StrategicConformity_{i,t-1} + Industry + Year + \varepsilon \quad (4.1)$$

$$CSR_{it} = \alpha + \beta_1 MarketFirm\_Other_{it} + \beta_2 StrategicConformity_{i,t-1} + \beta_3 MarketFirm\_Other_{it} \times StrategicConformity_{i,t-1} + Industry + Year + \varepsilon \quad (4.2)$$

Following the literature (e.g., Jo and Harjoto, 2012; Jiraporn and Chintrakarn, 2013; Borghesi et al., 2014; Di Giuli and Kostovetsky, 2014; Petrenko et al., 2016), I introduce into the models different control variables that are known to impact CSR. I control for the firm-specific economic attributes including firm size ($FirmSize_{it}$), the natural logarithm of firm's sales; accounting-based performance ($Performance_{it}$), firm profitability measured by the return on assets as the income before extraordinary items divided by firm's total assets; dividend pay-out ($DividendPayout_{it}$), the firm dividend policy of cash dividend pay-out as cash dividends divided by firm's total assets; capital structure ($Debt_{it}$), the debt financing of firm measured by the ratio of long-term debt to firm's total assets; firm risk ($Risk_{it}$), the standard deviation of monthly stock returns over the 12-month period preceding year end; advertising expenditure ($AdvertisingExpenditure_{it}$), the ratio of advertising expense to firm's sales as a measure of growth options; capital expenditure ($CapitalExpenditure_{it}$), the ratio of capital expense to firm's sales as a measure of growth options; selling and administrative expenditure ($SGAExpenditure_{it}$), the ratio of selling, general and administrative expense to firm's total assets as a proxy for the agency conflict extent due to potential managerial discretion; and slack

resources ($SlackResources_{it}$), the available slack resources of firm measured by the current ratio of current assets to current liabilities.

Controlling for the potential private benefits of managers, I use the free cashflow measure ($FreeCashFlow_{it}$) as the cash holdings divided by firm's total assets. I also control for the governance characteristics related to the effectiveness of the board structure using board composition ($BoardIndependence_{it}$), the percentage of outside directors on the board as the number of outside directors divided by the total number of directors on board; and board leadership ($Duality_{it}$), an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise.

Moreover, controlling for the managerial characteristics, I emphasise CEO structural power, influence and experience using CEO age ($ExecutiveAge_{it}$); gender ($ExecutiveGender_{it}$), an indicator variable that equals 1 if CEO is male, and 0 otherwise; and tenure ($ExecutiveTenure_{it}$), the number the number of years a CEO has been in firm's position. I also control for the managerial ownership and incentive-based compensation using CEO ownership ($ExecutiveOwnership_{it}$), the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; short-term incentive pay ($ShortIncentive_{it}$), the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; and long-term incentive pay ($LongIncentive_{it}$), the CEO incentive of long-term focus measured by the ratio of equity-based compensation, granted restricted stock and option awards, to total compensation.

I also use year and industry dummies, controlling respectively for the systematic time effects and trends and the industry fixed effects using Fama and French (1997) 30-industry classification, to control for endogeneity concerns. Throughout the analyses, I also estimate robust Huber-White standard errors where the observations are clustered at firm level by firm's gvkey to control for the serial correlation. All continuous variables are winsorized at the 1st and 99th percentiles to reduce the effect of influential outliers.

5.3.4 Descriptive Statistics

5.3.4.1 Full Sample

Table 5.2 reports descriptive statistics for the full sample of CSR analysis on the logic-based groups, firm-specific characteristics, board structure, CEO-specific characteristics, managerial ownership and compensation variables. All data are as of the accounting reporting period end. Panel A summarises the logic-based groups of firms. Of the sample observations, 43% is classified in the first group of the logic orientation index presenting FLDFs

($FamilyFirm$), 36% in the second group of hybrid firms ($HybridFirm$) and 21% in the third group of MLDFs ($MarketFirm$).

Panel B reports summary statistics on key firm-specific characteristics. The mean (median) unlogged firm size ($FirmSize$) is $6.03 ($1.67) billion. The average accounting-based performance of firms in terms of return on assets ($Performance$) is 6%. On average, the dividend pay-out ($DividendPayout$) is 1% and debt financing ($Debt$) is 15% of firm's total assets. The mean (median) firm risk ($Risk$) is 10% (9%). On average, the advertising expenditure ($AdvertisingExpenditure$) and capital expenditure ($CapitalExpenditure$) is 1% and 6% of firm's total sales, respectively, and the selling, general and administrative expenditure ($SGAExpenditure$) is 25% of firm's total assets. The mean (median) slack resources of firms ($SlackResources$) is 2.63 (2.17) and free cashflow ($FreeCashFlow$) is positive at 17% (13%) of firm's total assets. On average, CSR performance (CSR) is negative at -0.18, representing more concerns than strengths in relation to firm engagement in CSR. The mean (median) strategic conformity ($StrategicConformity$) is -3.03 (-2.67).

Panel C reports summary statistics on the board structure. The mean (median) percentage of outside (independent) directors on the board ($BoardIndependence$) is 78% (80%) and 49% of observations report a CEO duality where the CEO is also the chairman of the board ($Duality$). Panels D and E summarise CEO-specific characteristics and managerial ownership and compensation, respectively. The mean CEO age ($ExecutivAge$) is 56 years and the CEO has been in position for an average of 13 years ($ExecutiveTenure$). 96% of observations report that the CEO is male ($ExecutiveGender$). On average, CEOs in the sample hold 2% of firm's outstanding shares ($ExecutiveOwnership$) and they receive a variable incentive pay of short-term focus ($ShortIncentive$) and long-term focus ($LongIncentive$) of 23% and 48%, respectively, as a fraction of total compensation.

5.3.4.2 Subsamples by Logic-based Group

Table 5.3 reports summary statistics on CSR for the subsamples of the logic-based groups of FLDFs, hybrid firms, and MLDFs. As shown in Table 5.3, the logic-based groups of firms differ regarding the average firm engagement in CSR. On average, emphasising the ESG strengths (+) and concerns (-), FLDFs engage less in CSR (-0.25) relative to hybrid firms (-0.16) and MLDFs (-0.08). Interestingly, this is consistent with prior studies that have addressed the dark side of SEW, suggesting a selective and less engagement of genuine family firms in CSR compared with non-family firms. In consistency, as Table 5.4 shows, the individual mean-difference t-test suggests that the difference between each pair of the logic-based groups is statistically different from zero concerning CSR performance.

In Table 5.4, I compare the mean of CSR between each two logic-based groups of firms. I use independent t-tests to test the significance of difference in mean of CSR performance. According to the primary construction and definition of logic-based groups, I expect significant difference particularly between FLDFs and MLDFs in terms of their CSR. Overall, the results of individual t-test empirically prove that FLDFs, hybrid firms and MLDFs are different to some extent in running their businesses regarding firm engagement in CSR. This confirms the argument regarding the role of ILs in shaping firm behaviour and practices, which primarily supports and validates the study's suggested institutional-based classification of firms based on firm logic orientation in terms of the extent of embedded family and market logics.

Table 5.5 reports summary statistics on strategic conformity for the subsamples of the logic-based groups of FLDFs, hybrid firms, and MLDFs. As reported in Table 5.5, the logic-based groups of firms differ regarding the average strategic conformity, a proximal measure of firm legitimacy. On average, stressing the extent of similarity between a focal firm's asset strategies and those of industry peers, FLDFs display less strategic conformity (-3.10) relative to hybrid firms (-3.03) and MLDFs (-2.97). Stemming from the SEW's dark side perspective, FLDFs engage in self-serving and discriminatory behaviours, treating firm stakeholders differently. Therefore, emphasising the perspective of firm legitimacy, unlike MLDFs, FLDFs lack firm legitimation, stressing the satisfaction and endorsement of firm stakeholders.

As Table 5.6 shows, the individual mean-difference t-test indicates that the difference between FLDFs and MLDFs and between hybrid firms and MLDFs is statistically different from zero concerning strategic conformity. In Table 5.6, I compare the mean of strategic conformity between each two logic-based groups of firms using independent t-tests. According to the primary construction and definition of logic-based groups, I expect significant difference particularly between FLDFs and MLDFs in terms of their strategic conformity, a legitimacy-seeking activity. Overall, the results of individual t-test empirically prove that FLDFs, hybrid firms and MLDFs are different to some extent in running their businesses, affecting firm legitimation. This, in turn, supports the argument concerning the role of ILs as latent drivers of firm behaviour, which manifest in firm practices and decisions that, indeed, affect and are affected by firm stakeholders.

5.3.5 Correlation Matrix

In Table 5.7, I provide the correlation matrix for all variables included in the CSR regression models. Overall, among the main independent and control variables, there is no strong cross-correlation (> 0.50), except between a few variables. A strong correlation among variables possibly indicates their redundancy which may give rise to multicollinearity concerns

and attenuation bias of regression results for estimating one structural variable with multiple proxies. Addressing the effect of multicollinearity, I also run the Variance Inflation Factor (VIF) measure upon regressions to check for potential multicollinearity problem. It reports values between 1 and 10. The correlation between firm type, in terms of the logic-based group of firms, and CSR, regarding the rating of firm engagement in CSR, indicates a difference particularly between FLDFs and MLDFs.

Interestingly, there is a significant negative (positive) correlation between the familiness (marketness) logic orientation of firms and CSR. That is, in line with the perspectives of the dark side of SEW and the selective approach to CSR, FLDFs have lower rating of firm engagement in CSR, whereas MLDFs have higher rating, relative to other firms. Further, strategic conformity and CSR are significantly positively correlated; therefore, firms with greater strategic conformity, as a proximal measure of firm legitimacy, seem to have higher rating of firm engagement in CSR.

5.4 Empirical Results & Discussion

5.4.1 Main Multivariate Analysis

5.4.1.1 The Main Effect of Firm Logic Orientation

Column (1) in Table 5.8 reports the results from estimating the CSR baseline regression model (1), emphasising the main effect of firm logic orientation on CSR performance. The coefficients on the indicator variables of FLDFs (*FamilyFirm*) and MLDFs (*MarketFirm*) are interpreted as the difference in CSR between both FLDFs and MLDFs and the reference category of hybrid firms driven by both family and market logics (*HybridFirm*), controlling for firm economic attributes, governance characteristics, and CEO-specific characteristics, as well as CEO ownership and incentive-based compensation in the model.

The main coefficients are significant at the 5% and 10% significance levels, respectively. *Ceteris paribus*, it is found that FLDFs (–0.0833) perform worse than hybrid firms, whereas MLDFs (0.0891) perform better than hybrid firms concerning CSR in terms of the rating of firm engagement in CSR. Note that the negative value of CSR generally indicates higher ESG concerns than ESG strengths, as the negative and positive CSR policies, respectively, across the seven ESG categories upon which firm engagement in CSR is assessed regarding how firms perform in terms of the social and environmental effects of their practices and decisions. In comparison with the reference category of hybrid firms, this is consistent with hypothesis H1, which predicts that FLDFs will be less socially responsible compared with MLDFs.

5 The Interplay of Institutional Logics, Legitimacy Seeking & Corporate Social Responsibility

In the main regression analysis, I contrast between FLDFs, hybrid firms and MLDFs regarding CSR performance. I emphasise the main effect of firm logic orientation, which may be familiness, hybrid or marketness. Generally, the results show differences among the logic-based groups of firms in CSR performance in terms of the rating of firm engagement in CSR. Overall, the findings suggest that, relative to MLDFs, FLDFs are worse concerning proactive stakeholder engagement and stakeholder management in line with the SEW preservation perspective.

The analysis of CSR suggests remarkable findings, emphasising the institutional-based classification of firms. The results provide empirical evidence of the association between the logic orientation of firms – familiness and marketness – and CSR. The findings show a significant difference between FLDFs and MLDFs in CSR performance. Consistent with the perspectives of SEW's dark side and instrumental (selective) approach to CSR (Kellermanns et al., 2012; Zientara, 2017), the results show that FLDFs are less socially responsible compared with MLDFs. Depicting the family-oriented attitude and preference, the preservation of SEW presents a priority for FLDFs according to which they behave distinctly relative to MLDFs. SEW poses a key reference point for decision making that drives a self-serving behaviour of firms (Kellermanns et al., 2012), where FLDFs implement practices and decisions that align with and protect or expand the affective endowments of key firm actors linked to the firm.

Emphasising firm engagement in CSR, the worse CSR performance of FLDFs indicates different social practices and decisions, compared with MLDFs, driven by the concern for preserving the non-economic benefits of firm's key actors. SEW thereby imposes adverse implications for the firm stakeholders of FLDFs namely in terms of responding to the concerns and demands of firm stakeholders distinctly (Cennamo et al., 2012; Kellermanns et al., 2012; Cruz et al., 2014). Extending the SEW perspective, this suggests a dark side of SEW in terms of driving a self-serving behaviour of FLDFs relating to fulfilling SEW-related interests and goals at the cost of some firm stakeholders in the name of protecting the non-economic utilities attached to the firm. Therefore, it can be said that the self-serving behaviour of FLDFs negatively affects firm stakeholders because FLDFs undertake social practices and decisions that best align with the SEW preservation irrespective of the detrimental outcomes and disadvantages for firm stakeholders. According to Kellermanns et al. (2012), this implies less proactive stakeholder engagement and worsen stakeholder management of FLDFs relative to MLDFs.

Specifically, given the multidimensional character of SEW, the dark side of SEW results in a discriminatory behaviour of FLDFs towards firm stakeholders in relation to treating internal and external stakeholders unequally and unfairly, suggesting a negative valance of SEW

dimensions (Kellermanns et al., 2012). That is, the preservation of SEW entails accentuating different dimensions of SEW that can be positively or negatively valanced. Particularly, in contrast to the predominant perception of SEW as a prosocial and positive stimulus, the dimensions of SEW are contradictory from the perspective of CSR as they can be associated with pleasant (positive) and unpleasant (negative) emotions and consequences regarding the various groups of stakeholders. Thus, emphasising the double-valance nature of SEW dimensions, FLDFs act contradictorily from a CSR perspective. Depending on the SEW dimension being stressed, stakeholders' concerns and interests are either effectively considered or disregarded as FLDFs respond to the demands and interests of firm stakeholders differently (Cruz et al., 2014), highlighting an ambivalent nature of SEW (Zientara, 2017).

In particular, given the self-serving behaviour that SEW triggers, as well as the resulting discriminatory behaviour towards firm stakeholders, it can be stated that FLDFs are more responsive to the interests and concerns of external rather than internal shareholders. Stressing the key authority, power and control dimension of SEW, FLDFs are likely to treat internal stakeholders unequally and unfairly. Retaining such non-economic benefits in the hands of managers in alignment with the family-oriented values and essence of nepotism and prejudice (Gomez-Mejia et al., 2011a), FLDFs abandon the interests and demands of internal stakeholders, specifically employees, including promotions, appreciation of their competencies and potentials and involvement in decision making. This indicates discrimination among FLDFs' internal stakeholders themselves.

Moreover, emphasising the crucial SEW dimensions of reputation and image and social ties and business networks, FLDFs effectively respond to the concerns and demands of external stakeholders, such as suppliers, creditors and customers, which implies unequal and unequal treatment of the internal and external stakeholders of FLDFs. Drawing on the SEW preservation perspective, FLDFs engage in socially responsible practices that effectively consider the demands and interests of external stakeholders to generate and maintain good publicity, positive image and favourable reputation with which firm's key actors are closely identified. Thus, FLDFs obtain and sustain social ties and business networks given their social and environmental credentials, mitigating the risk exposure of SEW.

When stressed, the above dimensions reveal a positive valance in relation to the preservation of SEW; however, they result in discrimination among the firm stakeholders of FLDFs. Drawing on the self-serving behaviour that SEW drives and the resulting discriminatory behaviour towards firm stakeholders, it can be stated that FLDFs demonstrate a case of corporate schizophrenia, where they behave socially responsibly and irresponsibly at the same time, treating firm stakeholder distinctly (Cruz et al., 2014; Zientara, 2017). According to

Cennamo et al. (2012) and Kellermanns et al. (2012), this reduces the proactive stakeholder engagement and challenges the stakeholder management of FLDFs. Particularly, this implies that FLDFs act selectively and opportunistically given the resulting CSR-related contradictions, regarding CSR initiatives and activities, in alignment with the priority of SEW preservation, mitigating the risk exposure of SEW.

Accordingly, the dark side of SEW involving self-serving and discriminatory behaviours of FLDFs imposes the imprudence, guiltiness and suspiciousness of FLDFs in the eyes of firm stakeholders, undermining their CSR performance in terms of the rating of firm engagement in CSR. In other words, drawing on the perspective of SEW preservation, SEW has a downward effect on the CSR of FLDFs as CSR mainly addresses the consideration of demands and concerns of all firm stakeholders for the wider social good (Freeman, 1984; McWilliams and Siegel, 2001; Sen and Bhattacharya, 2001).

In accordance with this, it can be said that FLDFs selectively implement socially responsible practices that serve firm's self-interests related to the preservation of SEW at the cost of some firm stakeholders. Thus, following Cruz et al. (2014) and Zientara (2017), FLDFs are likely to adopt an instrumental approach to CSR, where they behave both good and bad simultaneously while preserving the affective endowments of firm's key actors. Therefore, unlike MLDFs, FLDFs use CSR as a marketing or public relations instrument to fulfil SEW-related concerns and goals rather than a core business strategy, selectively and instrumentally responding to the demands and interests of firm stakeholders. Specifically, FLDFs disregard stakeholders' interests and demands whenever SEW is threatened.

In contrast, drawing on the firm theory and market discipline perspectives, MLDFs act in the best interests of shareholders by undertaking social practices and decisions that consider the concerns and demands of all firm stakeholders, adopting a strategic approach to CSR. MLDFs pursue CSR initiatives and activities in the sense that doing good basically leads to doing better, reconciling the corporate good with the social good for the best benefit of shareholders (Sen and Bhattacharya, 2001; Nelson, 2004). Therefore, they unselectively carryout socially responsible practices for the wider social good, actively counting the social and environmental of firm practices and decisions. Accordingly, prompting the loyalty of, as well as attracting socially conscious investors and other stakeholders, the social practices and decisions of MLDFs eventually contribute to the best interests of shareholders regarding shareholders' wealth maximisation.

Similarly, emphasising the selective coupling response strategy (Pache and Santos, 2013; Mair et al., 2015), it can be stated that FLDFs selectively couple social practices and decisions

in a way that best them in terms of serving SEW-related interests and goals, avoiding the potential loss of SEW. Drawing on the perspective of SEW's dark side, unlike MLDFs, FLDFs respond to the demands and pressures of firm stakeholders distinctly, selectively adopting purposeful CSR initiatives and activities that primarily obtain (alleviate) gains (losses) of SEW in a self-serving manner. In other words, by selective coupling, FLDFs undertake socially responsible practices that are best aligned with the priority of SEW preservation at the cost of certain firm stakeholders (Meyer and Rowan, 1977; Boxenbaum and Jonsson, 2008; Bromley and Powell, 2012). Given the multidimensional nature of SEW, FLDFs adopt a selective coupling response strategy to the concerns and demands of firm stakeholders when these contradict their interests and undermine their priorities regarding the protection of the non-economic utilities of key firm actors linked to the firm.

As mentioned above, in the name of preserving SEW, FLDFs are effectively responsive to the interests and concerns of external stakeholders, publicising firm engagement in CSR in terms of their social and environmental advancements to burnish their reputation and image in the eyes of external stakeholders, which helps attain and maintain their social ties and business networks. Further, they overlook the interests and demands of internal stakeholders, specifically employees, regarding their competencies and potentials, promotions and involvement in firm decision making, maintaining authority, control and power in the hands of key firm actors. Therefore, as a result of the selective coupling response strategy concerning CSR initiatives and activities, FLDFs exhibit unfair treatment of internal stakeholders themselves, as well as discrimination between internal and external stakeholders (Cruz et al., 2014).

Purposefully enacting selected social practices and decisions, it can be said that FLDFs fulfil their narrowly defined self-interests related to SEW preservation irrespective of the detriments and disadvantages for firm stakeholders. Specifically, given the negative valence of the SEW dimensions associated with discriminatory behaviour towards firm stakeholders, stakeholders' interests and needs are abandoned whenever SEW is exposed to risk, implying the self-serving behaviour of FLDFs. In other words, FLDFs act selectively and opportunistically in terms of considering the demands and interests of internal and external stakeholders unequally and unfairly, where the affective endowments of key firm actors are protected from being jeopardised; otherwise, stakeholders' demands and concerns, namely employees, are disregarded. This is consistent with the view of corporate schizophrenia (Zientara, 2017), where FLDFs behave socially responsibly and irresponsibly simultaneously, lessening proactive stakeholder engagement and challenging stakeholder management .

Emphasising the institutional-based classification of firms, the results provide interesting empirical findings on the difference between FLDFs and MLDFs regarding CSR. The empirical

evidence of the distinct CSR performance among the logic-based groups of firms – FLDFs, hybrid firms and MLDFs – gives a new institutional-based explanation for the CSR differences observed among firms. Witnessed by CSR performance in terms of the rating of firm engagement in CSR, the findings demonstrate different types of firms regarding the firm logic orientations of familiness and marketness, which are associated with distinct socially responsible practices. Importantly, emphasising the logic orientation of firms, the difference between FLDFs and MLDFs in CSR performance provides empirical evidence of the role of ILs in shaping firm practices and behaviour (Greenwood et al., 2010). This supports the way in which this study operationalises both family and market logics concerning the embeddedness of ILs in firm decision making and the institutional-based classification of firms as a result.

5.4.1.2 The Main Effect of Strategic Conformity

Column (1) in Table 5.10 reports the findings from estimating the CSR baseline regression model (2), emphasising the association between firm legitimacy and CSR. *Ceteris paribus*, it is found that strategic conformity (0.0163) has a positive effect on CSR performance, at a significance level of 5%. This is consistent with hypothesis H2, which predicts a positive relationship between strategic conformity – a legitimacy-seeking activity – and CSR.

In the main regression analysis, I emphasise the role of firm legitimacy as an input of firm social performance in terms of the strategic conformity-CSR relationship. The analysis of CSR suggests interesting results, stressing strategic conformity as a proximal measure of firm legitimacy. The findings provide empirical evidence of the association between firm legitimacy and CSR, where strategic conformity has an incremental value for CSR performance as it positively affects the perception of firms' CSR, given that firm isomorphism, namely mimetic isomorphism, generates and improves firm legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Deephouse and Carter, 2005).

Emphasising the firm legitimacy and isomorphism perspectives, it can be said that conforming to industry peers, specifically strategic conformity, helps firms derive social gains from firm legitimation in terms of improving the view of the CSR of firms. Particularly, seeking legitimacy through adopting isomorphic strategies enhances the view of firms' CSR concerning the evaluation of how firms perform in terms of the social and environmental consequences of their practices and decisions. This is due to the expected valued socially constructed outcomes of firm legitimacy regarding favourable firm reputation and stakeholders' support that enhance firm performance, and in turn, improve firm's competitive advantage and firm life chances (Aldrich and Fiol, 1994; Choi and Shepherd, 2005; Bitektine, 2011). That is, stressing the satisfaction and endorsement of firm stakeholders as the social evaluators and recipients of firm

practices and decisions, firm legitimacy seems to explain an amount of variation in CSR performance, in terms of the rating firm engagement in CSR, relating to the social gains of firms derived from firm legitimation.

CSR connects to the consideration of all firm stakeholders, both internal and external, in terms of fulfilling their interests and demands for the wider social good (Peterson, 2004). That is, CSR mainly stresses the satisfaction and endorsement of firm stakeholders as members of society at large, who affect and are affected by firm practices and decisions. Similarly, firm legitimacy infers the social validation of firms in terms of firm acceptance and approval regarding firm practices and decisions, which is conferred by firm stakeholders as a source of firm legitimation (Suchman, 1995; Deephouse and Carter, 2005). In other words, it conveys the satisfaction and endorsement of firm stakeholders concerning firm practices and behaviour. Accordingly, both CSR and firm legitimacy address firm stakeholders as recipients and social evaluators of firm practices and decisions, respectively.

Firm legitimacy is a survival-enhancing aspect of firms relating to the general perception or assumption of the appropriateness and properness of firm practices and behaviour in a widely shared system of values and beliefs (Berger and Luckmann, 1967; Meyer and Rowan, 1977; Suchman, 1995). Accordingly, it particularly triggers the social construction of favourable reputation for firms, as well as garnering stakeholders' support that significantly contribute to firm performance, competitiveness and survival (Aldrich and Fiol, 1994; Rao, 1994; Choi and Shepherd, 2005). Specifically, such socially constructed consequences of firm legitimacy play a vital role in creating desirable image, facilitating access to essential business resources – both financial and human capital – and granting long-term relationship between firms and firm stakeholders. Therefore, firm legitimation keeps firms from having their conduct questioned, and as such, firms become legitimate and protected from being penalised (Meyer and Rowan, 1977).

Thus, regarding firm engagement in CSR, it can be stated that firm legitimacy keeps firms from having their social practices and decisions mistrusted; that is, it drives social gains regarding CSR performance. Particularly, firm legitimacy appears to have upward implication for the perception of firms' CSR in accordance with the perceived satisfaction and endorsement of firm stakeholders and the predictable significant outcomes of firm legitimation. In other words, firms show to obtain social gains from the adoption of isomorphic strategies, as a legitimacy-seeking activity, in terms of improving the impression of the CSR of firms. Drawing on the benefit and advantage associated with firm legitimacy in terms of improving firm performance and enhancing firm's competitive advantage and firm life chances, it can be said that firms alleviate their unfavourable publicity, negative image and poor reputation concerning

CSR performance, enhancing the view of firms' CSR in terms of the rating of firm engagement in CSR. Thus, emphasising the social gains of firms that firm legitimacy prompts, seeking legitimacy, namely through strategic conformity, is a tool that helps firms improve the perception of their CSR performance.

5.4.1.3 The Moderation Effect of Firm Logic Orientation

Given the logic orientation of firms, the positive relationship between strategic conformity and CSR is emphasised. Stressing CSR performance, a statistically significant interaction is found between firm logic orientation – familiness and marketness – and strategic conformity, as a proximal measure of firm legitimacy, *ceteris paribus*. Column (1) in Tables 5.11 and 5.12 report the results from estimating the CSR baseline regression models (3) and (4), emphasising the moderation effects of the firm logic orientations of familiness and marketness, respectively, on the relationship between strategic conformity and CSR in terms of the rating of firm engagement in CSR. The significant interaction implies that the positive strategic conformity-CSR relationship varies significantly as a function of the firm type in terms of the logic-based group, suggesting a moderation effect of firm logic orientation that partly supports hypothesis H3 in terms of the difference among firms.

Further, Tables 5.13 and 5.14 show the results of the post-hoc probing of the significant moderation effects of familiness and marketness regarding the significance and magnitude of the individual simple slopes representing the relationship between strategic conformity and CSR given the firm type in terms of the logic-based group. The positive coefficient on strategic conformity indicates its positive effect on CSR performance, which is consistent with hypothesis H2. Supporting hypothesis H3, it is found that the positive relationship between strategic conformity and CSR is more pronounced in FLDFs (0.0729) relative to other firms (0.0254), significant at the 0.1% and 1% significance levels, respectively. In consistency, compared with other firms (0.0485), such a positive relationship is less pronounced in MLDFs (0.0203), at the significance levels of 0.1% and 5%, respectively.

In the main regression analysis, I contrast FLDFs with MLDFs regarding the strategic conformity-CSR relationship. I emphasise the moderation effect of firm logic orientation, which may be familiness or marketness. Generally, the findings show differences among the logic-based groups of firms regarding the positive effect of strategic conformity – a legitimacy-seeking activity – on CSR performance. The results suggest that, relative to the marketness logic orientation, the familiness of firms amplifies such a positive relationship. Thus, highlighting the interplay between firm logic orientation, legitimacy seeking and CSR, they point to that FLDFs

can manage to offset the otherwise negative effect of familiness on CSR performance, relating to SEW's dark side, in accordance with the firm legitimacy perspective.

The analysis of CSR suggests interesting results, emphasising the institutional-based classification of firms. The findings provide empirical evidence of the effect of the logic orientation of firms – familiness and marketness – on the relationship between strategic conformity and CSR performance regarding the evaluation of how firms perform in terms of the social and environmental impacts of their practices and decisions; this is the moderating role of firm logic orientation. The results show a significant difference between FLDFs and MLDFs concerning the strategic conformity-CSR relationship. As previously mentioned, drawing on the dark side of SEW in terms of the self-serving and discriminatory behaviours (Kellermanns et al., 2012; Zientara, 2017), FLDFs demonstrate worse CSR performance in terms of the rating of firm engagement in CSR, where they are less socially responsible compared with MLDFs.

However, emphasising institutional theory's assumption that isomorphism generates and improves firm legitimacy (Meyer and Rowan, 1977; Deephouse and Carter, 2005), strategic conformity, as a legitimacy-seeking activity, appears to help FLDFs mitigate their bad publicity, poor reputation and negative image associated with SEW's dark side concerning firm engagement in CSR, given the social gains of firms that firm legitimacy drives. That is, it can be stated that the adoption of isomorphic strategies helps FLDFs offset the otherwise negative effect of familiness on CSR performance, alleviating their imprudence, guiltiness and suspiciousness in the eyes of firm stakeholders. Specifically, given the expected significant socially constructed outcomes of firm legitimation that significantly contribute to firm performance, and as such, improve firm's competitive advantage and survival (Suchman, 1995; Choi and Shepherd, 2005; Deephouse and Carter, 2005; Bitektine, 2011), the incremental value of strategic conformity for CSR performance in terms of improving the perception of firms' CSR is substantial for FLDFs relative to MLDFs.

Given the aforementioned difference in CSR performance between FLDFs and MLDFs, it can be said that they differ concerning firm legitimacy. Particularly, emphasising the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour, FLDFs lack firm legitimation in comparison with MLDFs. Stressing social practices and decisions, this is because of their discrimination between internal and external stakeholders, as well as unequal and unfair treatment of internal stakeholders themselves, where they respond to the concerns and demands of firm stakeholders distinctly. Emphasising the priority of SEW preservation, FLDFs act selectively and opportunistically in terms of considering stakeholders' interests and demands in a self-serving manner.

In line with the multidimensional character and ambivalent nature of SEW (Zientara, 2017), this imposes CSR-related contradictions as FLDFs act discriminatorily from the perspective of CSR, which weakens proactive stakeholder engagement and deteriorates stakeholder management. As discussed above, FLDFs view CSR as a marketing or public relations instrument to serve SEW-related interests and concerns, adopting an instrumental approach to CSR. Thus, stressing different dimensions of SEW, the concern for preserving the affective endowments of key firm actors linked to the firm has detrimental effects on the firm stakeholders of FLDFs, undermining the CSR performance of FLDFs.

In contrast, drawing on the firm theory and market discipline perspectives, MLDFs actively seek firm legitimacy by effectively and unselectively responding to the interests and concerns of all firm stakeholders for the best benefit of shareholders regarding shareholders' wealth maximisation, in line with the strategic whole-business view of responsibility. Particularly, unlike FLDFs, they use CSR as a core business strategy for achieving firm legitimacy, adopting a strategic approach to CSR. Accordingly, given stakeholders' interests and concerns, MLDFs keenly consider the social and environmental effects of their practices and decisions, striving for firm acceptance and approval in terms of the appropriateness and properness of firm practices and behaviour. In doing so, they reconcile the corporate good with the social good in the sense that doing good leads to doing better in terms of sustaining the loyalty of and attracting socially conscious investors and other stakeholders (Sen and Bhattacharya, 2001; Nelson, 2004; Peterson, 2004; Carvalho et al., 2010; Wijesinghe, 2014). Therefore, stressing the satisfaction and endorsement of firm stakeholders concerning firm practices and behaviour, MLDFs possess a taken-for-granted legitimation relative to FLDFs.

Accordingly, drawing on the discrepancy in firm legitimation between FLDFs and MLDFs, it can be stated that strategic conformity – a legitimacy-seeking activity – works best for FLDFs compared with MLDFs concerning CSR performance. Specifically, seeking legitimacy through the adoption of isomorphic strategies appears to have no substantial incremental value for the CSR performance of MLDFs relative to FLDFs. Because their legitimation is taken for granted, MLDFs do not appear to further benefit from strategic conformity regarding the impression of their CSR as they normally possess the benefit and value of firm legitimacy in relation to the socially constructed consequences.

Whereas, due to their lack of firm legitimation, strategic conformity seems to more likely help FLDFs enhance the view of firms' CSR in terms of the rating of firm engagement in CSR, obtaining considerable social gains from firm legitimacy . Further, drawing on the lack of firm legitimation, unlike MLDFs, FLDFs are rewarded for seeking legitimacy in terms of improving the impression of their CSR. This due to the perceived satisfaction and endorsement of firm

stakeholder concerning firm practices and decisions, and the expected significant consequences of firm legitimation in terms of favourable firm reputation and stakeholders' support(Choi and Shepherd, 2005; Bitektine, 2011). Particularly, seeking legitimacy through adopting isomorphic strategies shows to have substantial incremental advantage for the CSR performance of FLDFs compared with MLDFs.

Moreover, as CSR serves as a strategic tool for obtaining firm legitimacy (Du and Vieira, 2012; Zheng et al., 2015), the perception of firm legitimacy through strategic conformity indicates the potential of firm engagement in CSR to sustain such firm legitimation, enhancing the impression of firms' CSR in terms of the rating of firm engagement in CSR. However, such an indication from seeking legitimacy through the adoption of isomorphic strategies appears to be of less interest to MLDFs, strategic conformity possessing no substantial incremental advantage for their CSR performance. This is because, unlike FLDFs, MLDFs adopt CSR as a core business strategy for the best interests of shareholders, where they adopt a strategic approach to CSR, and as such, actively seek and obtain firm legitimacy, building on the perspectives of firm theory and market discipline..

Whereas, it shows to be of more interest to FLDFs, strategic conformity having a substantial incremental value for their CSR performance. This is due to that they are less socially responsible, and in turn, less legitimate compared with MLDFs, where, as mentioned earlier, they carry out CSR initiatives and activities selectively and instrumentally to fulfil firms' self-interests related to SEW, adopting an instrumental approach to CSR as CSR presents a marketing or public relations tool. As such, stressing the substantial incremental advantage of strategic conformity for their CSR, FLDFs can effectively manage to mitigate the otherwise negative effect of familiness on CSR performance imposed by the dark side of SEW (Kellermanns et al., 2012).

Accordingly, it can be said that, by pursuing isomorphism attempts, namely strategic conformity, FLDFs can move away from the shadow of SEW's dark side concerning the negative publicity, bad image and unfavourable reputation associated with their self-serving and discriminatory behaviours that undermine CSR performance, improving the perception of firms' CSR. Emphasising the social gains of firms that firm legitimacy drives, this implies that FLDFs may deliberately do things better by simply conforming to industry peers as a legitimacy-seeking activity. As such, FLDFs can achieve firm legitimacy that, conveying the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour, they expect to have an incremental benefit and value in terms of offsetting the negative effect of familiness on CSR performance. This is because firm legitimacy presents a survival-enhancing feature (Meyer

and Rowan, 1977; Suchman, 1995), which helps protect the conduct of FLDFs, specifically firm engagement in CSR, from being questioned or mistrusted.

Therefore, it can be stated that, as a legitimacy-seeking activity, strategic conformity essentially represents a channel through which FLDFs namely alleviate their negligence, guiltiness and suspiciousness related to the dark side of SEW in the eyes of stakeholders. This aligns with the local isomorphism strategy addressed by Salomon and Wu (2012) regarding imitating firm practices to obtain firm legitimation, and in turn, conquer obstacles that firms encounter. Thus, emphasising isomorphism attempts, FLDFs overcome difficulties and disadvantages that they confront because of the dark side of SEW.

This further aligns with the perspective of SEW preservation, where FLDF key actors are more likely to avoid the bad publicity, unfavourable reputation and negative image the firm with which they are closely identified, in the name of protecting or expanding the non-economic utilities attached to the firm. Therefore, building on the signalling framework (Khoury et al., 2013), FLDFs may deliberately conform to industry peers, in terms of adopting isomorphic practices, to signal isomorphism that helps achieve firm legitimacy, garnering stakeholders' support, creating favourable firm reputation, and as such, enhancing the firm competitiveness and survival (Rao, 1994; Suchman, 1995; Deephouse and Suchman, 2008).

Emphasising the institutional-based classification of firms, the results provide interesting empirical findings on the difference between FLDFs and MLDFs regarding the strategic conformity-CSR relationship. The empirical evidence of the moderating role of firm logic orientation – familiness and marketness – gives a new institutional-based explanation for the difference in CSR observed among firms. Moreover, witnessed by the moderation effect of firm logic orientation, the findings show different types of firms in terms of the logic-based groups, which are associated with distinct CSR performance in terms of the rating of firm engagement in CSR. Importantly, emphasising the logic orientation of firms, the discrepancy between FLDFs and MLDFs in the relationship between strategic conformity – a legitimacy-seeking activity – and CSR presents empirical evidence of the role of ILs in shaping firm practices and behaviour (Greenwood et al., 2010). This supports the operationalisation of both family and market logics regarding the embeddedness of ILs in firm decision making, as well as the institutional-based classification of firms in this study.

5.4.2 Robustness Checks

In this study, I use additional techniques to account for econometric and endogeneity concerns. In the analysis of the main effect of firm logic orientation on CSR performance, I include the lagged value of some control variables as a robustness check. This follows the

literature and controls for potential endogeneity caused by reverse causality. As Column (2) in Table 5.8 shows, the results do not change the conclusions about the difference in CSR between FLDFs and MLDFs. As an additional robustness check, the model is estimated with the firm random effects, controlling for firms' idiosyncratic tendencies that could randomly influence firm engagement in CSR. This aligns with the fact that, based on the observed behavioural dimensions, firms are allowed to shift between the logic-based groups of the institutional-based classification across years to closely capture the discrepancy in firm behaviour from year to year by not restricting firms to a fixed firm type across years. Using random-effects estimation, the main regression analysis results are robust regarding the CSR performance of FLDFs and MLDFs as reported in Column (3) in Table 5.8.

To mitigate the endogeneity concerns, both the year and industry fixed effects are included in all the models, controlling for the time and industry trends of CSR. As a robustness check accounting for endogeneity, the model is estimated using a dynamic panel-data estimation procedure that only assumes weak exogeneity, which allows CSR performance to be affected by the previous trends of CSR idiosyncratic to the firm regarding the rating of firm engagement in CSR. As shown in Column (4) in Table 5.8, the results do not alter the conclusions about the worse performance of FLDFs relative to MLDFs concerning CSR. However, some power of the main independent variables is lost.

Running another robustness check, I go a step further. Apart from the institutional-based classification of firms, the family ownership status of firms is used to group the sample firms under the same empirical setting. Instead of using the indicators of firm logic orientation, the ownership-based classification of firms is applied using a conventional indicator to flag family (= 1) and non-family (= 0) firms based on family ownership. The data of family ownership are retrieved from the professional website of Ron Anderson.

As Table 5.9 reports, the findings of the preliminary regression analysis are robust regarding the difference in CSR performance, paralleling the sample of family and non-family firms with FLDFs and MLDFs, respectively. The robustness of the main regression analysis results supports the argument that, stressing the ILs perspective, FLDFs and MLDFs behave like family and non-family firms, respectively, in terms of their motives, objectives and essence, emphasising firm behaviour irrespective of ownership status (family or not). That is, some commonalities and similarities between FLDFs (MLDFs) and family (non-family) firms are expected.

Comparing family and non-family firms with FLDFs and MLDFs, respectively, it is found that family firms are less socially responsible relative to non-family firms, which is

consistent with hypothesis H1. Thus, FLDFs and MLDFs exhibit family and non-family firm-like behaviour, respectively, regarding firm engagement in CSR. Therefore, relative to the conventional split of family and non-family firms, in this study, I put forward an institutional-based classification of firms that depends on real firm behaviour irrespective of ownership status (family or not), building on the idea that ILs provide the guidance and prescriptions of firm practices and decisions.

Emphasising family ownership status, the alignment of findings supports the underlying concept concerning the role of ILs, namely family and market logics, in driving firm behaviour and shaping firm practices and decisions relating to CSR. Further, the robustness of results empowers the institutional-based classification of firms that draws on a number of observed behavioural dimensions, supporting the established logic orientation index that essentially identifies and classifies firms based on the differences in actual firm practices and decisions. Therefore, the findings empirically underpin the different view of the familiness and marketness of firms, specifically the concept of firm logic orientation that depicts and defines the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven. That is, interestingly, such a robustness strongly reinforces and validates the proposed institutional-based approach of categorising firms compared with the traditional ownership-based classification. The emphasis on ILs as hidden drivers of firm behaviour particularly sheds light on a covert explanatory institutional factor, namely the logic orientation of firms; this presents the culture and nature of firms, and in turn, flags firms in a different manner beyond the ownership criteria.

In the analysis of the main effect of strategic conformity on CSR performance regarding the association between firm legitimacy and CSR, I follow the literature and include the lagged value of some control variables as a robustness check, controlling for potential endogeneity caused by reverse causality. As Column (2) in Table 5.10 shows, the results do not alter the conclusions about the positive relationship between strategic conformity – a legitimacy-seeking activity – and CSR. However, some power of the main independent variable is lost.

As an additional robustness check, the model is estimated with the firm random effects to capture the idiosyncratic trends of firms that could randomly affect their CSR initiatives and activities. Using a random-effects estimation, the main regression analysis results are robust regarding the positive strategic conformity-CSR relationship, as reported in Column (3) in Table 5.10. To mitigate the endogeneity concerns, both the year and industry fixed effects are included in all the models, controlling for the time and industry tendencies in relation to CSR. As a robustness check accounting for endogeneity, the model is estimated with a dynamic panel-data estimation procedure that only assumes weak exogeneity; this allows the CSR performance of

firms to be affected by their prior idiosyncratic trends concerning CSR in terms of the rating of firm engagement in CSR. As Column (4) in Table 5.10 reports, the results do not change the conclusions about the positive effect of strategic conformity on CSR performance.

Concerning the analysis of the moderation effect of firm logic orientation regarding the positive relationship between strategic conformity and CSR, different robustness checks are run to test the presence of interaction between firm logic orientation and strategic conformity. The results of the preliminary regression analyses of CSR are robust regarding the significant interaction terms using random-effects estimation and dynamic estimation – accounting for endogeneity[12] – robustness checks. As mentioned above, these checks stress the impact of firm random effects and the prior idiosyncratic trends of firms relating to CSR that could normally affect CSR performance. However, the significance of some interaction terms' coefficients alters slightly downward. Columns (2) and (3) in Tables 5.11 and 5.12, report these results, respectively.

As a further robustness check, a reduced sample that limits the comparison to FLDFs and MLDFs is used, excluding hybrid firms as a neutral logic-based group that overlaps familiness and marketness regarding the observed firm practices. Unlike in the main regression analysis, a single moderator is applied to directly contrast FLDFs (=1) with MLDFs (= 0) concerning the moderation effect of firm logic orientation on the strategic conformity-CSR relationship. As reported in Table 5.15, the findings of the main regression analyses are robust regarding the presence of interaction between firm logic orientation and strategic conformity, where the positive relationship between strategic conformity and CSR varies significantly as a function of or conditional by the logic orientation of firms. The results of the post-hoc analysis, shown in Table 5.16, do not change the conclusions about the significance and magnitude of the strategic conformity-CSR relationship, given the firm type. However, some power of the main independent variables is lost.

As an additional robustness check, I go a step further. Under the same empirical setting, the ownership-based classification of firms is applied to categorise the sample firms using the family ownership status indicator instead of the institutional-based classification that emphasises firm logic orientation. Using family ownership data from Ron Anderson's sample available online, a single moderator is used to flag the sample firms as family (=1) and non-family (=0) firms. As reported in Table 5.17, the results of the preliminary regression analyses

[12] To mitigate the endogeneity concerns, both the year and industry fixed effects are also included in all the models, controlling for the time and industry trends of CSR.

do not change regarding the presence of interaction between firm type, in terms of family ownership status, and strategic conformity, comparing the sample of family and non-family firms with FLDFs and MLDFs, respectively. As previously discussed, the robustness of the main regression analyses results supports the argument that, stressing the ILs perspective, FLDFs and MLDFs behave like family and non-family firms, respectively, in terms of their motives, objectives and essence, emphasising firm behaviour irrespective of ownership status (family or not). That is, some commonalities and similarities between FLDFs (MLDFs) and family (non-family) firms are expected.

The significant interaction term indicates that the positive relationship between strategic conformity and CSR differs significantly according to the firm type in terms of the family ownership status of firms. Further, as Table 5.18 shows, the results of the post-hoc analysis do not change the conclusions about the significance and magnitude of the effect of strategic conformity on CSR performance, given the firm type. Paralleling family and non-family firms with FLDFs and MLDFs, respectively, it is found that strategic conformity positively affects CSR performance in terms of the rating of firm engagement in CSR, which confirms hypothesis H2.

Further, it is also found that such a positive relationship is more pronounced in family firms compared with non-family firms, which is consistent with hypothesis H3. Therefore, emphasising the social gains of firms derived from firm legitimacy, FLDFs and MLDFs show to be isomorphic to family and non-family firms, respectively. Thus, as discussed above, relative to the traditional split of family and non-family firms, in this study, I present an institutional-based classification of firms that relies on real firm behaviour irrespective of ownership status (family or not), drawing on the idea that ILs provide the guidance and prescriptions of firm practices and decisions.

Stressing family ownership status, the robustness of findings underpins the underlying concept concerning the role of ILs, namely family and market logics, in driving firm behaviour and shaping firm practices and decisions relating to CSR. Moreover, the alignment of results reinforces the institutional-based classification of firms that draws on a number of observed behavioural dimensions, supporting the developed logic orientation index that essentially identifies and classifies firms based on the differences in actual firm practices and decisions.

Therefore, the results empirically support the different view of the familiness and marketness of firms, specifically the concept of firm logic orientation that depicts and defines the firm type in terms of the logic-based group in relation to the embeddedness of family and market logics by which a firm is driven. That is, interestingly, such a robustness strongly

supports and validates the proposed institutional-based approach of identifying and categorising firms compared with the conventional ownership-based classification, given the distinct view of their familiness and marketness, where; instead of family ownership status (or not), firm practices and behaviour characterise and define firms in terms of their distinctive culture and nature. The emphasis on ILs as covert drivers of firm behaviour particularly sheds light on a latent explanatory institutional factor, namely the logic orientation of firms; this presents the culture and nature of firms, and in turn, groups firms in a different manner beyond the ownership criteria.

Moreover, in addition to its success regarding capturing both the main and moderation effects of firm type – firm logic orientation – in the context of CSR, grouping firms as FLDFs and MLDFs has the advantage over the traditional split of family and non-family firms in terms of being a faster, simpler and smarter approach. The conventional ownership-based classification of firms entails time and effort spent browsing the proxy statements and annual reports of firms to find out about ownership status (family or not). In contrast, the institutional-based classification of firms is an accounting-based process that emphasises actual firm practices and decisions. Specifically, it incorporates multiple behavioural dimensions measured using financial data easily accessible via various databases, drawing primarily on the existing family business research.

5.5 Conclusion

CSR reveals a remarkable discrepancy among firms that has been largely addressed and examined. However, little attention has been paid to the role of ILs, as hidden drivers of firm behaviour (Friedland and Alford, 1991), in shaping the socially responsible practices of firms. The basis of this study lies in the application of ILs perspective to the concept of distinction among firms, stressing the CSR context. In this study, I stressed the institutional-based classification of firms – FLDFs, hybrid firms and MLDFs – apart from ownership status (family or not), addressing the logic orientation of firms that depicts and defines the firm type in terms of the logic-based group relating to the embeddedness of family and market logics by which a firm is driven.

Building on the SEW preservation perspective, in this study, I portrayed FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence. Primarily, I depicted MLDFs as shareholder-oriented firms that prioritise the primary economic business objective of profitability and shareholders' wealth maximisation, exhibiting an archetypal business setting. In contrast, presenting a different business setting, FLDFs display a family-oriented attitude and preference in terms of prioritising

the preservation of SEW attached to the firm, overlapping the family and business systems. Moreover, hybrid firms exhibit an intersection between FLDFs and MLDFs concerning firm practices and decisions, overlapping family and market logics. In doing so, this study distinguishes itself from the the existing family-oriented studies that have commonly stressed the ownership criteria in terms of ownership status (family or not), which is believed to overlook the importance of firm behaviour.

In this study, I provided empirical evidence that ILs give a viable explanation for the discrepancy among firms concerning CSR performance, as well as the strategic conformity-CSR relationship. This study has an important implication for detecting the contrast between FLDFs and MLDFs regarding firm engagement in CSR. It examined the effect of firm logic orientation on CSR performance in terms of the rating of firm engagement in CSR. Further, it emphasised the association between firm legitimacy and CSR, highlighting the role of firm legitimation as an input of firm social performance. Specifically, it investigated the effect of adopting isomorphic practices, specifically isomorphic strategies, to those of industry peers, as a legitimacy-seeking activity, on CSR performance. Moreover, given the firm type in terms of the logic-based group, it examined the impact of firm legitimacy, namely strategic conformity, on the impression of firms' CSR, emphasising the moderating role of firm logic orientation.

Emphasising the association between firm logic orientation and CSR regarding the evaluation of how firms perform in terms of the social and environmental consequences of their practices and decisions addressed by the ESG performance benchmarks, CSR performance appeared to vary according to the logic orientation of firms, consistent with the perspective of ILs. Generally, I found that the socially responsible practices of firms are associated with firm logic orientation, where family and market logics drive firm practices and decisions differently. Specifically, relative to MLDFs, FLDFs showed to be less socially responsible, where FLDFs perform worse concerning CSR as the familiness of firms has a negative effect on CSR performance.

Further, emphasising the firm legitimacy and isomorphism perspectives, strategic conformity – a legitimacy-seeking activity – showed to affect CSR performance. Also, this relationship appeared to differ between FLDFs and MLDFs, highlighting the moderation effect of firm logic orientation. Particularly, I found that strategic conformity positively affects CSR performance in terms of improving the perception of the CSR of firms, shedding light on the social gains that firm derive from firm legitimation. Stressing the incremental value of strategic conformity for CSR performance, I also found that the positive strategic conformity-CSR relationship varies as a function of or conditional by firm logic orientation. In other words, this positive relationship appeared to operate differently among firms that vary conceptually in terms

of the embeddedness of family and market logics. Overall, I found that the familiness and marketness of firms have different effects on such a relationship. Specifically, compared with the marketness logic orientation, the familiness of firms amplifies this positive relationship, where the effect of strategic conformity on CSR performance is more pronounced in FLDFs relative to MLDFs.

Drawing on the SEW perspective, FLDFs were characterised by the priority of SEW preservation as opposed to shareholder-oriented MLDFs. Given the multidimensional character of SEW, the SEW dimensions can be both positively and negatively valanced as they associate with pleasant (positive) and unpleasant (negative) emotions and consequences concerning firm stakeholders. The double-valanced nature of SEW dimensions thereby suggests an ambiguous nature of SEW (Kellermanns et al., 2012; Zientara, 2017). Stressing the essential SEW dimensions of firm reputation and prestige and social ties, FLDFs are effectively responsive to the interests and demands of external rather than internal stakeholders. As such, they burnish the image and reputation of firms with which firm's key actors are closely identified, as well as sustain business networks by broadcasting their social and environmental contributions.

Moreover, considering another key SEW dimension of authority, power and control, FLDFs maintain such non-economic benefits in the hands of managers at the cost of internal stakeholders, namely employees. Thus, they abandon employees' needs and concerns regarding promotions, appreciation of their competencies and potentials and involvement in decision making, while protecting the affective endowments of key firm actors in alignment with the family-oriented values and essence of nepotism and prejudice. Thus, given the concern for preserving the non-economic utilities derived from the firm, FLDFs treat the internal and external stakeholders unequally and unfairly, as well as discriminate among internal stakeholders themselves, implying the dark side of SEW (Kellermanns et al., 2012). Accordingly, this indicates that the SEW dimensions are contradictory from the perspective of CSR.

Particularly, stressing different dimensions of SEW, FLDFs overlook the demands and interests of some internal stakeholders, while effectively considering the concerns and interests of external stakeholders, avoiding the non-economic benefits of key firm actors from being jeopardised (Cruz et al., 2014). Therefore, given the concern for SEW preservation, FLDFs can be both good and bad simultaneously, enforcing their self-serving and discriminatory behaviours as FLDFs respond to the interests and demands of firm stakeholders distinctly (Cruz et al., 2014). In other words, fulfilling SEW-related interests and goals, FLDFs behave both socially responsibly and irresponsibly at the same time, suggesting the corporate schizophrenia of FLDFs (Zientara, 2017).

In consistency, given the priority of SEW preservation, FLDFs selectively and instrumentally undertake socially responsible practices, adopting an instrumental (selective) approach to CSR (Zientara, 2017). Specifically, FLDFs use CSR as a marketing or public relations tool to serve SEW-related interests and concerns. Consistent with this, FLDFs adopt a selective coupling response strategy to the demands and interests of firm stakeholders in terms of undertaking purposeful CSR initiatives and activities (Pache and Santos, 2013). By selective coupling, FLDFs implement socially responsible practices that best fit them in terms of aligning with firm's self-interests related to SEW regarding obtaining or extending (alleviating) gains (losses) of SEW. That is, irrespective of the detriments and disadvantages for firm stakeholders, they disregard stakeholders' interests and concerns whenever SEW is exposed to threat. In doing so, unlike MLDFs, FLDFs exhibit self-serving and discriminatory behaviours, where they carry out social practices and decisions at the expense of some firm stakeholders in a self-serving manner.

In contrast, drawing on the firm theory and market discipline perspectives, MLDFs adopt a strategic (normative) approach to CSR for the wider social good. Unlike FLDFs, MLDFs view CSR as a core business strategy in terms of effectively and unselectively responding to the demands and concerns of firm stakeholders. In particular, they reconcile the corporate good with the social good in the sense that doing good, in terms of actively considering the social and environmental effects of firm practices and decisions, leads to doing better. MLDFs do so for the best interests of shareholders regarding shareholders' wealth maximisation as they prompt the loyalty of, as well as attract socially minded investors and other stakeholders (McWilliams and Siegel, 2001; Sen and Bhattacharya, 2001; Nelson, 2004; Borghesi et al., 2014).

As FLDFs act selectively and opportunistically, SEW has negative implications for the firm stakeholders of FLDFs. Particularly, this is in relation to less proactive stakeholder engagement and weak stakeholder management , where FLDFs act discriminatorily from the CSR perspective. Thus, drawing on the SEW's dark side perspective (Kellermanns et al., 2012), FLDFs are less socially responsible compared with MLDFs, where they perform worse concerning CSR in terms of the rating of firm engagement in CSR. That is, FLDFs confront the shadow of the dark side of SEW involving the self-serving behaviour that SEW triggers, as well as the resulting discriminatory behaviour towards firm stakeholders, which undermines the CSR performance of FLDFs relative to MLDFs.

Emphasising the perspective of firm legitimacy, favourable firm reputation and stakeholders' support are predictable valued consequences of firm legitimation that conveys the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour. These socially constructed outcomes thereby improve firm competitiveness and survival by creating

positive image and granting access to fundamental business resources – both financial and human capital – which contribute significantly to firm performance (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011). Accordingly, drawing on the benefit and value of firm legitimacy, strategic conformity – a legitimacy-seeking activity – positively affects CSR performance regarding the evaluation of how firms perform in terms of the social and environmental impacts of their practices and decisions, given that both CSR and firm legitimacy connect to firm stakeholders as the recipients and social evaluators of firm practices and behaviour, respectively.

Emphasising firm acceptance and approval concerning firm practices and decisions, firm legitimacy, as a survival-enhancing aspect, helps protect the conduct of firms from being mistrusted (Meyer and Rowan, 1977; Suchman, 1995). Thus, stressing the assumption that isomorphism – namely mimetic isomorphism – generates and improves firm legitimacy (Meyer and Rowan, 1977; Deephouse and Carter, 2005), the adoption of isomorphic strategies helps firms enhance the perception of their CSR in terms of the rating of firm engagement in CSR. This reveals the social gains of firms obtained from firm legitimacy, where strategic conformity has incremental value for CSR performance.

Stemming from the difference in CSR performance between FLDFs and MLDFs, they are likely to vary in firm legitimation in relation to the satisfaction and endorsement of firm stakeholders concerning social practices and decisions. On the one hand, the firm legitimacy of MLDFs is taken for granted as they effectively strive for firm's social validation. As outlined above, drawing on the firm theory and market discipline perspectives, they actively seek the firm acceptance and approval conferred by firm stakeholders regarding the appropriateness and properness of firm practices and decisions. Therefore, stressing CSR initiatives and activities, MLDFs effectively consider the interests and concerns of all firm stakeholders, consistent with the strategic whole-business view of responsibility. Specifically, they keenly count the social and environmental consequences of their practices and decisions. In doing so, MLDFs adopt the strategic approach to CSR, reconciling the corporate good with the social good for the best benefit of shareholders in terms of maximising shareholders' wealth.

On the other hand, adopting an instrumental approach to CSR, FLDFs lack firm legitimacy in accordance with the dark side of SEW involving their self-serving and discriminatory behaviours, which prompts the imprudence, guiltiness and suspiciousness of FLDFs in the eyes of firm stakeholders. Particularly, emphasising social practices and decisions, the discrimination among internal stakeholders themselves, as well as the unequal and unfair treatment of internal and external stakeholders impose the firm stakeholders' view of the poor publicity, negative image and unfavourable reputation of FLDFs regarding firm engagement in

CSR. As such, stressing the satisfaction and endorsement of firm stakeholders, the legitimation of FLDFs is deficient.

Building on the discrepancy in firm legitimacy associated with the aforesaid difference in CSR performance, the social gains of firms that firm legitimation triggers differ between FLDFs and MLDFs. In particular, given their taken-for-granted legitimation, MLDFs do not further benefit from strategic conformity regarding CSR performance as they normally possess the benefit and advantage of firm legitimacy in relation to the socially constructed outcomes. Whereas, given their lack of firm legitimation, strategic conformity has a substantial incremental value for the CSR performance of FLDFs relative to MLDFs. Moreover, lacking firm legitimacy, FLDFs are seemingly rewarded for seeking legitimacy in terms of enhancing the view of their CSR. This is in accordance with perceived firm legitimacy and its predictable significant outcomes, in terms of favourable firm reputation and stakeholders' support, that infer the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour.

Further, as CSR serves as a strategy for achieving firm legitimacy (Du and Vieira, 2012; Zheng et al., 2015), the perception of firm legitimacy through strategic conformity infers the potential of firm engagement in CSR to maintain such firm legitimation, enhancing the view of firms' CSR in terms of the rating of firm engagement in CSR. Unlike MLDFs, FLDFs view CSR as marketing or public relations instrument rather than a core business strategy. Thus, such an inference from seeking legitimacy through the adoption of isomorphic strategies is of more interest to FLDFs compared with MLDFs. This is because FLDFs are less socially responsible, and in turn, less legitimate relative to MLDFs, where, as mentioned earlier, they undertake CSR initiatives and activities selectively and instrumentally to serve SEW-related interests and goals, adopting an instrumental rather than strategic approach to CSR.

As such, strategic legitimacy, as a legitimacy-seeking activity, has a substantial incremental advantage for the CSR performance of FLDFs. In other words, seeking legitimacy through adopting isomorphic strategies more likely helps enhance the impression of the CSR of FLDFs compared with MLDFs. That is, legitimacy-seeking activities, specifically strategic conformity, work best for FLDFs. Thus, the impact of firm legitimacy on the perception of firms' CSR varies according to firm logic orientation. Particularly, relative to the marketness logic orientation, the familiness of firms amplifies the positive effect of strategic conformity on CSR performance.

Following Salomon and Wu (2012), FLDFs perhaps implement an isomorphism strategy in terms of mimicking firm practices to mitigate the distance to, or discrepancy from, other firms – industry peers – striving for firm legitimacy. Thus, adopting such a mitigating strategy,

they effectively can overcome the difficulties and disadvantages resulting from SEW's dark side, where firm legitimacy helps them create desirable image and obtain access to essential business resources, as well as a long-term relationship with firm stakeholders that significantly contribute to firm performance ,and as such, enhance the firm competitiveness and survival.

Therefore, conforming to industry peers, FLDFs perhaps attempt to deliberately do things simply better to obtain firm legitimacy of which they expect a vital benefit and value related to the predictable valued socially constructed outcomes of favourable firm reputation and stakeholders' support. This, in turn, has an incremental advantage of improving the perception of firms' CSR, given that firm legitimacy presents a survival-enhancing feature (Meyer and Rowan, 1977; Suchman, 1995), which helps keep FLDFs from having their conduct, specifically firm engagement in CSR, questioned or mistrusted.

Stressing the isomorphism attempts, strategic conformity helps offset the otherwise negative effect of the familiness of firms on CSR performance imposed by the dark side of SEW. Therefore, stressing the firm legitimacy perspective, this provides an insight into a channel through which FLDFs can manage to mitigate their negative publicity, negative image and poor reputation concerning firm engagement in CSR, given the shadow of the dark side of SEW deteriorating proactive stakeholder engagement and challenging stakeholder management.

Building on the discrepancy in CSR performance among the logic-based groups of firms, in this study, I provided ILs, CSR and family business scholars, as well as policymakers and regulators, with a new institutional-based explanation for the difference in socially responsible practices among firms that develop the understanding of ILs and CSR. Specifically, stressing the ILs perspective, I applied a distinct view of the familiness and marketness of firms to the CSR context. I further addressed the influence of firm logic orientation on CSR regarding the evaluation of how firms perform on the ESG performance benchmarks relating to the social and environmental impacts of firm practices and decisions. Drawing on the difference in CSR performance among firms, the study has important implications and feedback for scholars, policymakers and regulators regarding the understanding and conceptualisation of the familiness and marketness of firms.

Driving firm behaviour, the familiness logic orientation apparently distinguishes firms from the standard, shareholder-oriented view of firms – the marketness logic orientation – which manifests a different CSR performance. This study can extend the knowledge of scholars, policymakers and regulators on ILs and CSR. Primarily, they need to consider that, apart from family ownership status (or not), FLDFs prioritise SEW-related interests and goals, which outweigh the demands and concerns of firm stakeholders, and as such, overlook the prominence

of CSR. In this study, I mainly directed attention to the shadow of the dark side of SEW and its detrimental outcomes for firm stakeholders.

Stemming from the SEW preservation perspective, FLDFs engage in CSR in a way that best fits them, highlighting FLDFs as a distinct business form or approach relative to shareholder-oriented MLDFs (Greenwood et al., 2010). Specifically, the study indicates that the familiness logic orientation of firms displays a family-oriented attitude and preference that trigger FLDFs' tendency to depart from the typical shareholder-oriented business setting of MLDFs where a marketness logic orientation, primarily underlying the difference in CSR. This affects the understanding and evaluation of firm strategies and practices, where the difference among firms may be justified against market and government regulations and policies.

Fundamentally, this study can expand the understanding of firm engagement in CSR among CSR scholars, policymakers and regulators , giving them an insight that firms can be selective in terms of CSR initiatives and activities. Mainly, the firm logic orientation of firms implicitly plays a key role in undertaking social practices and decisions, highlighting the effect of the logic orientation of firms on the socially responsible practices given the difference in CSR performance among the logic-based groups of firms. Providing a distinct, institutional-based explanation for the discrepancy in CSR among firms, this can help CSR scholars, policymakers and regulators understand the role of ILs in prompting the discrepancies in firm behaviour related to firm engagement in CSR and develop CSR research, regulations and policies. This indicates the importance to take into account the latent institutional factor of firm logic orientation to achieve a better understanding of firms and by extension firm practices and behaviour.

Emphasising the firm legitimacy and isomorphism perspectives, in this study, I also provided important feedback for firm legitimacy scholars in terms of the social gains that firms obtain from firm legitimacy. Given the expected significant socially constructed consequences of firm legitimacy, FLDFs show to improve the view of their CSR, stressing their isomorphism attempts relating to the adoption of isomorphic strategies. Accordingly, this study can give them insight and advance their understanding of firm legitimacy as an explanatory factor of CSR performance, emphasising CSR from a different perspective that stresses a subjective assessment of CSR initiatives and activities, which represents the evaluation of how firms perform on a number of ESG categories addressed by ESG performance indicators. Specifically, given the ESG performance benchmarks, these indicators encompass the social and environmental effects of firm practices and decisions in relation to ESG strengths and concerns addressed by each category.

Given the worse CSR performance of FLDFs, the familiness logic orientation has a different, amplifying effect relative to the marketness of firms on the positive strategic conformity-CSR relationship, alleviating the otherwise negative effect of familiness on CSR performance. Therefore, stressing the SEW's dark side perspective, the study can expand the understanding of scholars, policymakers and regulators of the underlying goal of, perhaps, the purposeful isomorphism attempts of FLDFs regarding the adoption of isomorphic strategies, namely asset strategies, to those of industry peers.

Given the social gains of firms that firm legitimation triggers in terms of improving the perception of firms' CSR, seeking legitimacy regarding the adoption of isomorphic practices represents a channel that helps FLDFs alleviate their negligence, guiltiness and suspiciousness in the eyes of firm stakeholders in relation to the dark side of SEW. This gives an insight that FLDFs effectively manage the shadow of SEW's dark side. In other words, emphasising the isomorphism attempts, FLDFs overcome the shadow of the dark side of SEW, in terms of their negative publicity, detrimental image and unfavourable reputation regarding firm engagement in CSR, by adopting isomorphic strategies, specifically strategic conformity, that improves the impression of their CSR.

Irrespective of family ownership status (or not), FLDFs and MLDFs exhibited CSR performance like that of genuine family and non-family firms, respectively. Highlighting a different view of the familiness and marketness of firms, FLDFs and MLDFs, as such, respectively match family-owned or managed and non-family firms in terms of firm practices and decisions, displaying family and non-family firm-like behaviours, respectively. Regarding the underlying concept of family logic, it suggests a family-oriented flavour and essence in terms of the priority of SEW preservation as opposed to the core of market logic, which lies in the priority of profitability and shareholders' wealth maximisation. Accordingly, drawing on the popular SEW model, in this study, I explained that FLDFs undertake CSR initiatives and activities in a way that best aligns with and protects or expands the non-economic benefits of key firm actors attached to the firm, avoiding the potential loss of SEW.

Given the logic orientation of firms, in this study, I provided empirical evidence that firms vary in internally configuring the firm business in terms of firm engagement in CSR; this was found in the CSR performance of firms and the interplay of firm logic orientation, firm legitimacy and CSR. This confirms the role of ILs as being latent drivers of firm behaviour. Importantly, such evidence draws attention to and supports the introduced notion of firm logic orientation and approves the functionality of familiness and marketness constructs, differentiating among firms in terms of firm social performance. In this way, in this study, I suggested a different classification of firms and a distinct view of their familiness and

marketness. The key idea is that, stressing the embeddedness of family and market logics, firms differ in the culture and nature of running a business that latently embed in their decision making, and in turn, shape and explain the differences in firm practices and decisions; this is primarily a covert logic-based root. Thus, this study emphasises that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their distinctive culture and nature.

Importantly, in this study, I addressed the advantage of the institutional-based classification of firms as a simpler, faster and smarter approach relative to the conventional ownership-based classification. The traditional, widely used classification of family and non-family firms requires time and effort spent browsing the proxy statements and annual reports of firms to find out about ownership status (family or not). In contrast, the new, institutional-based classification of firms is basically an accounting-based process that emphasises actual firm practices and decisions. Particularly, it incorporates several behavioural dimensions measured using financial data easily accessible through various databases, drawing mainly on the extant family business research.

Tables & Figures

Table 5.1 - Sample distribution by year.

This table reports the time series and size of sample used in analysis. I start with all S&P 1500 index constituents from 2006 through 2016. I restrict the sample to years 2006-2013 for which firms have complete financial, ESG, ownership and monthly stock data on Compustat, MSCI, Execucomp and CRSP. I include firms with a minimum of two-year observations and exclude regulated firms with the first two-digit SIC codes being 49 and 60-69.

Year	Number of observations/Year	Percent
2006	196	4.92
2007	385	9.66
2008	521	13.08
2009	574	14.41
2010	594	14.91
2011	606	15.21
2012	583	14.63
2013	525	13.18
Total firm-year observations	3984	100.00
Total unique firms	784	

Figure 5.1 - Conceptual framework.

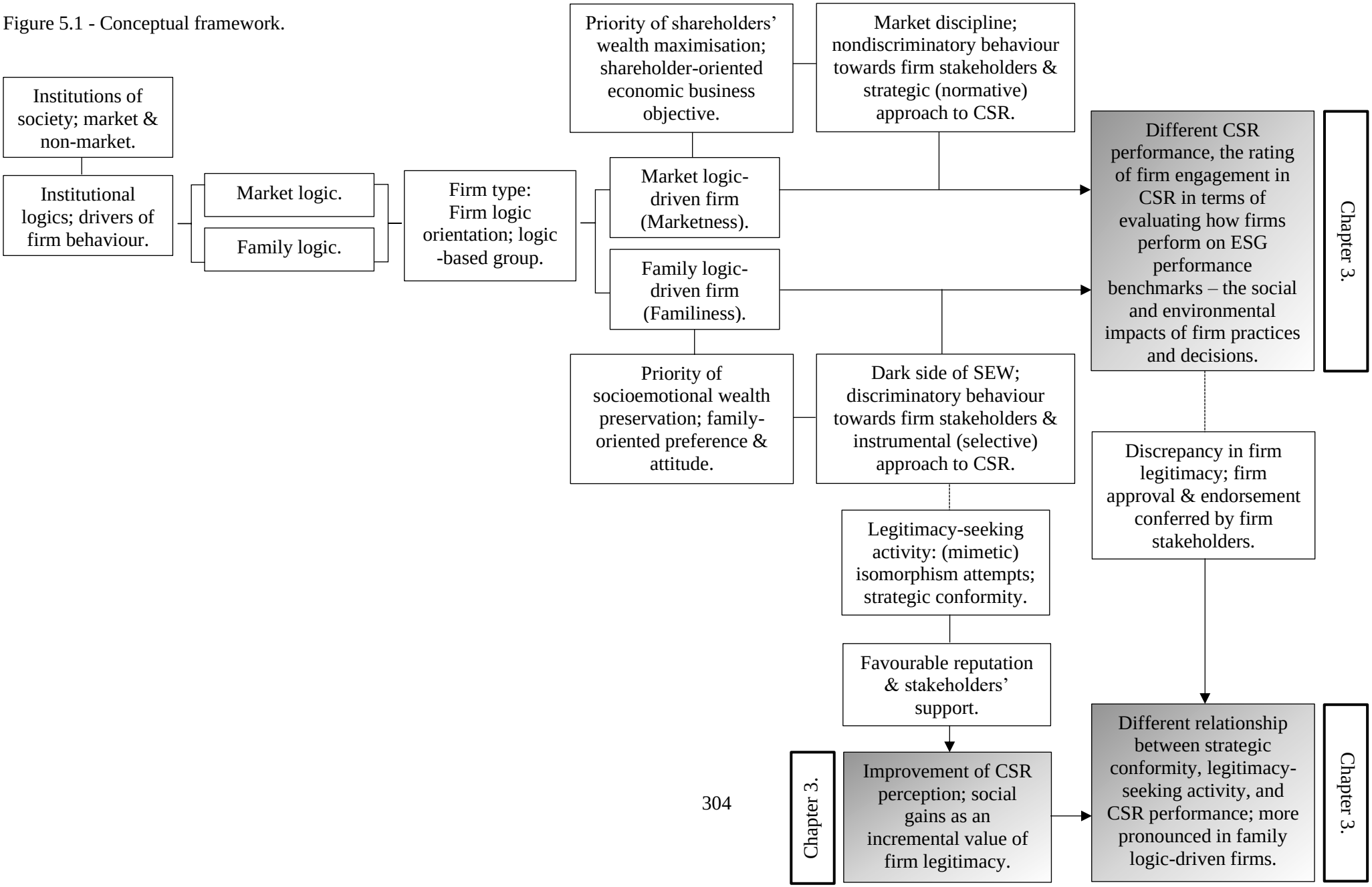


Table 5.2 - Descriptive statistics.

This table reports the full sample summary statistics on all variables used in analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; **Risk** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***CSR*** is the rating of firm engagement in CSR measured by the composite net CSR index; ***StrategicConformity*** is the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***ExecutiveAge*** is the age of CEO; ***ExecutiveGender*** **is** an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation.

Full sample			
Variable	Mean	Median	St Dev.
Panel A – Logic-based groups			
FamilyFirm	0.43	0.00	0.50
HybridFirm	0.36	0.00	0.48
MarketFirm	0.21	0.00	0.41
Panel B – Firm-specific characteristics			
FirmSize (Unlogged, '000$)	6029.62	1674.80	12907.53
Performance	0.06	0.06	0.08
DividendPayout	0.01	0.00	0.02
Debt	0.15	0.14	0.14
Risk	0.10	0.09	0.05
AdvertisingExpenditure	0.01	0.00	0.02
CapitalExpenditure	0.06	0.03	0.12
SGAExpenditure	0.25	0.21	0.17
SlackResources	2.63	2.17	1.67
FreeCashFlow	0.17	0.13	0.16
CSR	-0.18	-0.30	0.82
StrategicConformity	-3.03	-2.67	2.49
Panel C – Board structure			
BoardIndependence	0.78	0.80	0.11
Duality	0.49	0.00	0.50
Panel D – CEO-specific characteristics			
ExecutiveAge	56.07	56.00	6.74
ExecutiveGender	0.96	1.00	0.19
ExecutiveTenure	12.92	11.00	8.03
Panel E – Managerial ownership & compensation			
ExecutiveOwnership	0.02	0.01	0.05
ShortIncentive	0.23	0.21	0.17
LongIncentive	0.48	0.53	0.25
Observations		3984	

Table 5.3 - Descriptive statistics: CSR by logic-based group.

CSR is the rating of firm engagement in CSR measured by the composite net CSR index; ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise.

Subsamples by logic-based group						
Variable	Mean	Std Dev.	Mean	Std Dev.	Mean	Std Dev.
	Group of FLDFs (FamilyFirm =1)		*Group of hybrid firms (HybridFirm =1)*		*Group of MLDFs (MarketFirm =1)*	
CSR	-0.25	0.74	-0.16	0.82	-0.08	0.94
Observations = 3984	1719		1435		830	

Table 5.4 - Difference-in-mean t-test: CSR.

CSR is the rating of firm engagement in CSR measured by the composite net CSR index; ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise.
t statistics in parentheses.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	*FamilyFirm & HybridFirm*	*FamilyFirm & MarketFirm*	*HybridFrim & MarketFirm*
CSR	0.0959***	0.167***	0.0711+
	(3.43)	(4.86)	(1.88)
Observations	3154	2549	2265

Table 5.5 - Descriptive statistics: Strategic conformity by logic-based group.
StrategicConformity is the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise.

Subsamples by logic-based group						
Variable	Mean	Std Dev.	Mean	Std Dev.	Mean	Std Dev.
	Group of FLDFs (FamilyFirm =1)		*Group of hybrid firms (HybridFirm =1)*		*Group of MLDFs (MarketFirm =1)*	
StrategicConformity	-3.10	2.61	-3.03	2.53	-2.97	2.41
Observations = 3984	1719		1435		830	

Table 5.6 - Difference-in-mean t-test: Strategic conformity.
StrategicConformity is the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise.
t statistics in parentheses.
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Variable	*FamilyFirm & HybridFirm*	*FamilyFirm & MarketFirm*	*HybridFrim & MarketFirm*
StrategicConformity	0.0770	-0.0531*	-0.130+
	(0.69)	(-2.11)	(-1.95)
Observations	3154	2549	2265

Table 5.7 - Correlation matrix.

This table reports the correlation between all variables used in analysis. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***HybridFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 2 presenting the hybrid logic orientation of hybrid firms, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***CSR*** is the rating of firm engagement in CSR measured by the composite net CSR index; ***StrategicConformity*** is the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***ExecutiveAge*** is the age of CEO; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation.

* p<0.10, ** p<0.05, *** p<0.0

Variable	*FamilyFirm*	*HybridFirm*	*MarketFirm*	*FirmSize (Unlogged)*	*Performance*	*Dividend-Payout*	*Debt*	*Risk*	*Advertising-Expenditure*	*Capital-Expenditure*	*SGA-Expenditure*	*Slack-Resources*	*FreeCashFlow*
FamilyFirm	1.00	.	.	.	.	.	.	.	.	.	.	.	.
HybridFirm	-0.65***	1.00	.	.	.	.	.	.	.	.	.	.	.
MarketFirm	-0.45***	-0.38***	1.00	.	.	.	.	.	.	.	.	.	.
FirmSize (Unlogged)	-0.06***	-0.03*	0.11***	1.00	.	.	.	.	.	.	.	.	.
Performance	0.14***	0.03*	-0.20***	0.05***	1.00	.	.	.	.	.	.	.	.
DividendPayout	0.03*	0.03**	-0.08***	0.12***	0.31***	1.00	.	.	.	.	.	.	.
Debt	0.02	-0.00	-0.02	0.08***	-0.17***	-0.02	1.00	.	.	.	.	.	.
Risk	-0.02	0.00	0.02	-0.21***	-0.34***	-0.21***	0.00	1.00	.	.	.	.	.
AdvertisingExpenditure	0.02	0.00	-0.03*	0.05***	0.06***	0.08***	0.02	0.04**	1.00	.	.	.	.
CapitalExpenditure	0.10***	-0.04***	-0.07***	-0.04**	-0.05***	-0.08***	0.11***	0.03	-0.07***	1.00	.	.	.
SGAExpenditure	0.02	-0.01	-0.02	-0.13***	0.06***	0.14***	-0.29***	0.13***	0.35***	-0.27***	1.00	.	.
SlackResources	-0.04**	0.03**	0.01	-0.23***	0.07***	0.02	-0.28***	0.05***	-0.07***	-0.13***	0.02	1.00	.
FreeCashFlow	-0.13***	0.03**	0.11***	-0.13***	0.09***	0.01	-0.40***	0.05***	0.08***	-0.15***	0.19***	0.60***	1.00
CSR	-0.07***	0.02	0.06***	0.23***	0.10***	0.18***	0.04**	-0.22***	0.12***	-0.01	0.05***	-0.05***	0.06***
StrategicConformity	0.02	-0.02	0.00	0.08***	0.00	-0.02	0.19***	-0.13***	0.03*	0.07***	-0.11***	-0.18***	-0.18***
BoardIndependence	-0.08***	0.02	0.08***	0.15***	-0.03*	-0.01	0.15***	-0.08***	-0.03*	0.02	-0.10***	-0.13***	-0.05***

Duality	-0.00	0.01	-0.01	0.10***	0.02	0.02	0.03*	-0.04**	-0.05***	0.04**	-0.06***	-0.03*	-0.05***
ExecutiveAge	-0.02	-0.01	0.03*	0.07***	-0.02	0.05***	0.03*	-0.04***	-0.09***	0.02	-0.06***	0.00	-0.08***
ExecutiveGender	-0.01	-0.01	0.01	-0.03*	0.01	-0.02	0.02	-0.04**	-0.06***	0.02	-0.08***	0.04***	-0.02
ExecutiveTenure	0.04***	-0.02	-0.03*	-0.08***	0.04**	-0.02	-0.12***	0.05***	-0.05***	-0.01	0.05***	0.11***	0.09***
ExecutiveOwnership	0.02	0.01	-0.04**	-0.12***	0.02	0.03**	-0.17***	0.07***	0.04**	-0.05***	0.14***	0.10***	0.14***
ShortIncentive	0.06***	-0.04**	-0.03*	0.07***	0.23***	0.04**	0.04**	-0.08***	-0.01	-0.03**	-0.07***	-0.11***	-0.09***
LongIncentive	-0.10***	0.04**	0.08***	0.14***	-0.06***	-0.06***	0.08***	-0.10***	-0.02	0.10***	-0.07***	-0.06***	0.03**

	CSR	*Strategic-Conformity*	*Board-Independence*	*Duality*	*Executive-Age*	*Executive-Gender*	*Executive-Tenure*	*Executive-Ownership*	*Short-Incentive*	*Long-Incentive*
CSR	1.00									
StrategicConformity	0.10***	1.00								
BoardIndependence	0.14***	0.13***	1.00							
Duality	0.02	-0.00	0.20***	1.00						
ExecutiveAge	-0.04**	-0.05***	-0.02	0.26***	1.00					
ExecutiveGender	-0.06***	0.03*	0.02	0.05***	0.08***	1.00				
ExecutiveTenure	-0.10***	-0.11***	-0.15***	0.32***	0.30***	0.06***	1.00			
ExecutiveOwnership	-0.09***	-0.16***	-0.21***	0.23***	0.18***	-0.02	0.53***	1.00		
ShortIncentive	0.00	-0.01	-0.04***	0.05***	0.08***	0.04**	-0.00	-0.03*	1.00	
LongIncentive	0.12***	0.18***	0.26***	-0.02	-0.12***	0.00	-0.18***	-0.25***	-0.56***	1.00
Observations	3984									

Table 5.8 - Preliminary multivariate analysis: Main effect of firm logic orientation.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) including lagged control variables in OLS multivariate analysis, (3) random-effects estimation and (4) dynamic estimation. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***MarketFirm*** is indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*			
	(1)	(2)	(3)	(4)
FamilyFirm	-0.0833*	-0.0916*	-0.0574*	-0.0208+
	(0.0339)	(0.0367)	(0.0235)	(0.0114)
MarketFirm	0.0891+	0.0867+	0.0577+	0.0262+
	(0.0473)	(0.0518)	(0.0311)	(0.0148)
FirmSize	0.179***		0.157***	0.124***
	(0.0210)		(0.0171)	(0.0130)
Risk	-1.448***	-1.466***	-0.366	-0.707***
	(0.409)	(0.435)	(0.292)	(0.211)
DividendPayout	4.892***		1.504+	1.557***
	(1.077)		(0.791)	(0.462)
Debt	0.155		0.176	0.0933
	(0.164)		(0.135)	(0.0785)
Performance	0.394+		0.215	-0.0154
	(0.235)		(0.163)	(0.132)
SlackResources	-0.0413**	-0.0358**	-0.0249*	-0.0238***
	(0.0139)	(0.0136)	(0.0112)	(0.00602)
AdvertisingExpenditure	2.746*	3.714**	1.115	1.322*
	(1.167)	(1.268)	(1.083)	(0.524)
CapitalExpenditure	0.796***	0.702**	0.433*	-0.00671
	(0.216)	(0.249)	(0.181)	(0.130)
SGAExpenditure	0.0247	0.0136	0.109	-0.0353
	(0.145)	(0.161)	(0.142)	(0.0686)
FreeCashFlow	0.361*		0.366**	0.193*
	(0.171)		(0.139)	(0.0793)
ShortIncentive	0.251*	0.392**	0.0837	0.142+
	(0.118)	(0.129)	(0.0845)	(0.0733)
LongIncentive	0.204*	0.321**	0.0700	0.179***
	(0.0871)	(0.103)	(0.0584)	(0.0493)
ExecutiveOwnership	-0.755	-0.841	-0.555	-0.564*
	(0.512)	(0.611)	(0.420)	(0.285)
ExecutiveAge	-0.00185	-0.00112	-0.000946	0.000379
	(0.00318)	(0.00352)	(0.00281)	(0.00140)
ExecutiveTenure	-0.00434	-0.00585+	-0.00375	-0.00234+
	(0.00281)	(0.00314)	(0.00264)	(0.00136)
ExecutiveGender	-0.279*	-0.248*	-0.244*	-0.0486
	(0.112)	(0.120)	(0.101)	(0.0517)
Duality	0.0679	0.0979*	0.0284	0.0496*

	(0.0436)	(0.0480)	(0.0320)	(0.0208)
BoardIndependence	0.629***	0.650**	0.605***	0.233**
	(0.180)	(0.203)	(0.149)	(0.0851)
(lag) FirmSize		0.198***		
		(0.0210)		
(lag) DividendPayout		5.956***		
		(1.175)		
(lag) Debt		0.223		
		(0.181)		
(lag) Performance		0.296		
		(0.235)		
(lag) FreeCashFlow		0.232		
		(0.163)		
(lag) CSR				0.723***
				(0.0154)
Constant	-0.637*	-0.697*	-0.588*	-0.232+
	(0.297)	(0.329)	(0.253)	(0.132)
Observations	3984	3200	3984	3200
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	-	-	Yes	-
Adjusted R^2	0.206	0.220	-	0.612

Table 5.9 - Robustness test (Family status of ownership).

The results of OLS multivariate analysis using the family ownership status indicator. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
FamilyFirm	-0.0401*
	(0.0177)
FirmSize	0.174***
	(0.0310)
Risk	-0.603
	(0.487)
DividendPayout	6.528***
	(1.431)
Debt	0.0522
	(0.226)
Performance	0.482+
	(0.283)
SlackResources	-0.0455*
	(0.0200)
AdvertisingExpenditure	7.245***
	(1.884)
CapitalExpenditure	0.936***
	(0.270)
SGAExpenditure	0.0682
	(0.186)
FreeCashFlow	0.630*
	(0.265)
ShortIncentive	0.168
	(0.149)
LongIncentive	0.109
	(0.116)
ExecutiveOwnership	-0.524
	(0.794)
ExecutiveAge	-0.00195
	(0.00434)
ExecutiveTenure	-0.00463
	(0.00378)
ExecutiveGender	-0.222
	(0.149)
Duality	0.0729
	(0.0556)
BoardIndependence	0.645**
	(0.244)
Constant	-0.815*
	(0.379)
Observations	2844

Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.247

Table 5.10 - Preliminary multivariate analysis: Main effect of strategic conformity.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) including lagged control variables in OLS multivariate analysis, (3) random-effects estimation and (4) dynamic estimation. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*			
	(1)	(2)	(3)	(4)
StrategicConformity	0.0163*	0.0152+	0.0159*	0.0137*
	(0.00740)	(0.00879)	(0.00641)	(0.00552)
FirmSize	0.204***		0.183***	0.136***
	(0.0210)		(0.0177)	(0.0141)
Risk	-1.451**	-1.336**	-0.461	-0.676**
	(0.454)	(0.435)	(0.330)	(0.212)
DividendPayout	5.080***		2.202*	1.546***
	(1.198)		(0.907)	(0.462)
Debt	0.230		0.155	0.0814
	(0.187)		(0.148)	(0.0790)
Performance	0.119		0.0528	-0.0405
	(0.252)		(0.193)	(0.125)
SlackResources	-0.0530***	-0.0380**	-0.0369**	-0.0239***
	(0.0152)	(0.0138)	(0.0123)	(0.00603)
AdvertisingExpenditure	3.443**	3.674**	1.660	1.292*
	(1.310)	(1.293)	(1.167)	(0.525)
CapitalExpenditure	0.564*	0.568*	0.429*	-0.0326
	(0.251)	(0.249)	(0.192)	(0.130)
SGAExpenditure	0.0280	0.0304	0.0569	-0.0291
	(0.163)	(0.160)	(0.145)	(0.0681)
FreeCashFlow	0.604**		0.470**	0.213**
	(0.196)		(0.161)	(0.0807)
ShortIncentive	0.306*	0.377**	0.119	0.139+
	(0.134)	(0.131)	(0.0968)	(0.0737)
LongIncentive	0.281**	0.319**	0.100	0.175***
	(0.106)	(0.106)	(0.0710)	(0.0494)
ExecutiveOwnership	-0.970	-0.809	-1.026*	-0.547+
	(0.636)	(0.621)	(0.518)	(0.286)
ExecutiveAge	-0.000297	-0.000436	-0.00130	0.000466
	(0.00360)	(0.00359)	(0.00317)	(0.00141)
ExecutiveTenure	-0.00582+	-0.00624*	-0.00429	-0.00235+
	(0.00318)	(0.00317)	(0.00281)	(0.00136)
ExecutiveGender	-0.252*	-0.250*	-0.228*	-0.0497
	(0.117)	(0.115)	(0.109)	(0.0513)
Duality	0.103*	0.0988*	0.0684+	0.0494*
	(0.0487)	(0.0487)	(0.0369)	(0.0208)
BoardIndependence	0.606**	0.653**	0.628***	0.229**
	(0.207)	(0.205)	(0.173)	(0.0854)

(lag) FirmSize		0.207***		
		(0.0211)		
(lag) DividendPayout		5.918***		
		(1.192)		
(lag) Debt		0.170		
		(0.186)		
(lag) Performance		0.179		
		(0.229)		
(lag) FreeCashFlow		0.333*		
		(0.168)		
(lag) CSR				0.724***
				(0.0156)
Constant	-0.723*	-0.819*	-0.560*	-0.242+
	(0.329)	(0.329)	(0.281)	(0.131)
Observations	3200	3200	3200	3200
Industry Effect	Yes	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes	Yes
Firm RE	-	-	Yes	-
Adjusted R^2	0.214	0.216	-	0.612

Table 5.11 - Preliminary multivariate analysis: Moderation effect of firm logic orientation of familiness.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*		
	(1)	(2)	(3)
FamilyFirm	0.129*	0.0597*	0.0409+
	(0.0512)	(0.0354)	(0.0251)
StrategicConformity	0.00612*	0.00495*	0.00295+
	(0.00254)	(0.00208)	(0.00155)
FamilyFirm × StrategicConformity	0.0429*	0.0300+	0.0164+
	(0.0176)	(0.0161)	(0.00916)
FirmSize	0.202***	0.189***	0.114***
	(0.0220)	(0.0164)	(0.0103)
Risk	-1.432**	0.455**	0.204*
	(0.451)	(0.159)	(0.0801)
DividendPayout	5.015***	2.153*	1.534***
	(1.183)	(0.906)	(0.461)
Debt	0.248	0.155	0.0863
	(0.185)	(0.148)	(0.0792)
Performance	0.289	0.102	-0.0118
	(0.267)	(0.199)	(0.132)
SlackResources	-0.0483**	-0.0357**	-0.0228***
	(0.0149)	(0.0123)	(0.00600)
AdvertisingExpenditure	3.388**	1.680	1.289*
	(1.275)	(1.153)	(0.520)
CapitalExpenditure	0.600*	0.433*	-0.0303
	(0.254)	(0.193)	(0.133)
SGAExpenditure	0.0135	0.0494	-0.0321
	(0.163)	(0.145)	(0.0683)
FreeCashFlow	0.547**	-0.460	-0.674**
	(0.193)	(0.330)	(0.212)
ShortIncentive	0.294*	0.119	0.139+
	(0.133)	(0.0972)	(0.0739)
LongIncentive	0.269**	0.0988	0.174***
	(0.104)	(0.0710)	(0.0494)
ExecutiveOwnership	-0.993	-0.228*	-0.0521
	(0.623)	(0.108)	(0.0512)
ExecutiveAge	-0.000912	-0.00152	0.000332
	(0.00354)	(0.00316)	(0.00140)
ExecutiveTenure	-0.00541+	-0.00415	-0.00225+
	(0.00315)	(0.00282)	(0.00136)

ExecutiveGender	-0.259*	-1.061*	-0.560*
	(0.114)	(0.515)	(0.284)
Duality	0.108*	0.0697+	0.0510*
	(0.0479)	(0.0368)	(0.0206)
BoardIndependence	0.594**	0.633***	0.230**
	(0.206)	(0.173)	(0.0854)
(lag) StrategicConformity			0.722***
			(0.0156)
Constant	-0.734*	-0.562*	-0.245+
	(0.325)	(0.280)	(0.131)
Observations	3200	3200	3200
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-
Adjusted R^2	0.220	-	0.612

Table 5.12 - Preliminary multivariate analysis: Moderation effect of firm logic orientation of marketness.

The results of (1) preliminary OLS multivariate analysis, and robustness tests (2) random-effects estimation and (3) dynamic estimation. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***MarketFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs, and 0 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*		
	(1)	(2)	(3)
MarketFirm	-0.119**	-0.0496+	-0.0370*
	(0.0369)	(0.0259)	(0.0163)
StrategicConformity	0.0258*	0.0210*	0.0110*
	(0.0112)	(0.00852)	(0.00486)
MarketFirm × StrategicConformity	-0.0198+	-0.0119+	-0.0102*
	(0.0117)	(0.00625)	(0.00435)
FirmSize	0.211***	0.178***	0.110***
	(0.0210)	(0.0132)	(0.0111)
Risk	-1.460**	0.467**	0.210**
	(0.453)	(0.160)	(0.0808)
DividendPayout	5.035***	2.220*	1.525***
	(1.183)	(0.907)	(0.462)
Debt	0.247	0.162	0.0906
	(0.185)	(0.148)	(0.0785)
Performance	0.240	0.0862	-0.0251
	(0.257)	(0.195)	(0.127)
SlackResources	-0.0505***	-0.0367**	-0.0234***
	(0.0150)	(0.0123)	(0.00599)
AdvertisingExpenditure	3.357**	1.641	1.276*
	(1.292)	(1.159)	(0.522)
CapitalExpenditure	0.636*	0.445*	-0.0209
	(0.249)	(0.192)	(0.131)
SGAExpenditure	0.0260	0.0531	-0.0302
	(0.163)	(0.145)	(0.0686)
FreeCashFlow	0.557**	-0.470	-0.678**
	(0.193)	(0.331)	(0.213)
ShortIncentive	0.296*	0.121	0.138+
	(0.134)	(0.0970)	(0.0739)
LongIncentive	0.258*	0.0982	0.171***
	(0.104)	(0.0709)	(0.0495)
ExecutiveOwnership	-0.974	-0.228*	-0.0526
	(0.631)	(0.109)	(0.0517)
ExecutiveAge	-0.000631	-0.00137	0.000415
	(0.00356)	(0.00316)	(0.00140)
ExecutiveTenure	-0.00526+	-0.00418	-0.00217
	(0.00319)	(0.00282)	(0.00137)

ExecutiveGender	-0.257*	-1.035*	-0.553+
	(0.116)	(0.520)	(0.286)
Duality	0.103*	0.0694+	0.0502*
	(0.0480)	(0.0368)	(0.0207)
BoardIndependence	0.598**	0.625***	0.230**
	(0.207)	(0.173)	(0.0858)
(lag) StrategicConformity			0.722***
			(0.0155)
Constant	-0.674*	-0.550+	-0.238+
	(0.328)	(0.281)	(0.131)
Observations	3200	3200	3200
Industry Effect	Yes	Yes	Yes
Year Effect	Yes	Yes	Yes
Firm RE	-	Yes	-
Adjusted R^2	0.219	-	0.613

Table 5.13 - Post-hoc regressions for other firms category (Hybrid firms and MLDFs) and FLDFs category.

The results of preliminary post-hoc analysis of the relationship between strategic conformity and CSR in firms other than FLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm_Other*** is an indicator variable that equals 1 for FLDF, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
Panel A- Other firms category (Hybrid firms and MLDFs)	
FamilyFirm_Other	0.128*
	(0.0530)
StrategicConformity	0.0254**
	(0.00963)
FamilyFirm_Other × *StrategicConformity*	0.0475**
	(0.0182)
Constant	-0.303*
	(0.148)
Panel B- FLDFs category	
FamilyFirm_Family	0.128*
	(0.0530)
StrategicConformity	0.0729***
	(0.0166)
FamilyFirm_Family × *StrategicConformity*	0.0475**
	(0.0182)
Constant	-0.275*
	(0.114)
Observations	3200
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.135

Table 5.14 - Post-hoc regressions for other firms category (Hybrid firms and FLDFs) and MLDFs category.

The results of preliminary post-hoc analysis of the relationship between strategic conformity and CSR in firms other than MLDFs -Panel A- and MLDFs -Panel B. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***MarketFirm_Other*** is an indicator variable that equals 1 for MLDF, and 0 otherwise; ***MarketFirm_Market*** is an indicator variable that equals 0 for MLDF, and -1 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
Panel A- Other firms category (Hybrid firms and FLDFs)	
MarketFirm_Other	-0.130***
	(0.0392)
StrategicConformity	0.0485***
	(0.0111)
MarketFirm_Other × *StrategicConformity*	-0.0282*
	(0.0133)
Constant	-0.290*
	(0.146)
Panel B- MLDFs category	
MarketFirm_Market	-0.130***
	(0.0392)
StrategicConformity	0.0203*
	(0.0109)
MarketFirm_Market × *StrategicConformity*	-0.0282*
	(0.0133)
Constant	-0.359*
	(0.145)
Observations	3200
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.135

Table 5.15 - Robustness test (Reduced sample).

The results of OLS multivariate analysis using a reduced sample, excluding hybrid firms. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm*** is an indicator variable that equals 1 if the firm logic orientation value is 1 presenting the familiness logic orientation of FLDFs, and 0 if the firm logic orientation value is 3 presenting the marketness logic orientation of MLDFs; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
FamilyFirm	0.197**
	(0.0745)
StrategicConformity	0.0510*
	(0.0227)
FamilyFirm × StrategicConformity	0.0454+
	(0.0247)
FirmSize	0.223***
	(0.0193)
Risk	-1.142+
	(0.597)
DividendPayout	4.903**
	(1.535)
Debt	0.319
	(0.251)
Performance	0.324
	(0.398)
SlackResources	-0.0202
	(0.0201)
AdvertisingExpenditure	3.930*
	(1.783)
CapitalExpenditure	0.378
	(0.337)
SGAExpenditure	-0.109
	(0.217)
FreeCashFlow	0.485+
	(0.257)
ShortIncentive	0.398*
	(0.197)
LongIncentive	0.123
	(0.161)
ExecutiveOwnership	-1.218
	(0.840)
ExecutiveAge	0.00160
	(0.00463)
ExecutiveTenure	-0.00572
	(0.00457)
ExecutiveGender	-0.345+
	(0.192)

Duality	0.0702
	(0.0667)
BoardIndependence	0.929***
	(0.278)
Constant	-1.073*
	(0.483)
Observations	1374
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.239

Table 5.16 - Post-hoc regression for MLDFs category and FLDFs category.

The results of robustness post-hoc analysis of the relationship between strategic conformity and CSR in MLDFs -Panel A- and FLDFs -Panel B. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm_Market*** is an indicator variable that equals 1 for FLDF, and 0 for MLDF; ***FamilyFirm_Family*** is an indicator variable that equals 0 for FLDF, and -1 for MLDF; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
Panel A- MLDFs category	
FamilyFirm_Market	0.224**
	(0.0775)
StrategicConformity	0.0251+
	(0.0141)
FamilyFirm_Market × *StrategicConformity*	0.0492+
	(0.0253)
Constant	-0.602**
	(0.222)
Panel B- FLDFs category	
FamilyFirm_Family	0.224**
	(0.0775)
StrategicConformity	0.0723**
	(0.0223)
FamilyFirm_Family × *StrategicConformity*	0.0492+
	(0.0253)
Constant	-0.379+
	(0.222)
Observations	1374
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.163

Table 5.17 - Robustness test (Family status of ownership).

The results of OLS multivariate analysis the family ownership status indicator. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy; ***FirmSize*** is the natural logarithm of firm's sales; ***Risk*** is the standard deviation of monthly stock returns over a 12-month period preceding year end; ***DivedendPayout*** is the cash dividend pay-out as cash dividends divided by firm's total assets; ***Debt*** is the debt ratio as long-term debt scaled by firm's total assets; ***Performance*** is the firm accounting-based performance measured by return on assets as income before extraordinary items divided by firm's total assets; ***SlackResources*** is the current ratio as current assets divided by current liabilities; ***AdvertisingExpenditure*** is the ratio of advertising expense to firm's sales; ***CapitalExpenditure*** is the ratio of capital expense to firm's sales; ***SGAExpenditure*** is the ratio of selling, general and administrative expense to firm's total assets; ***FreeCashFlow*** is the cash holdings scaled by firm's total assets; ***ShortIncentive*** is the CEO incentive of short-term focus measured by the ratio of bonus earned by CEO to total compensation; ***LongIncentive*** the CEO incentive of long-term focus measured by the ratio of equity-based pay, granted restricted stock and option awards, to total compensation; ***ExecutiveOwnership*** is the shares held by CEO as a fraction of shares outstanding as the number of CEO shareholdings divided by total number of outstanding shares; ***ExecutiveAge*** is the age of CEO; ***ExecutiveTenure*** is the number of years a CEO has been in firm's position; ***ExecutiveGender*** is an indicator variable that equals 1 if CEO is male, and 0 otherwise; ***Duality*** is an indicator variable that equals 1 if firm's CEO and board chairman positions are occupied by the CEO, and 0 otherwise; ***BoardIndependence*** is the percentage of outside (independent) directors on the board as the number of outside directors divided by the total number of directors on the board.

Robust standard errors in parentheses. Standard errors are robust for clustering by firm.

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
FamilyFirm	0.0497
	(0.0710)
StrategicConformity	0.0308*
	(0.0139)
FamilyFirm × StrategicConformity	0.0512*
	(0.0249)
FirmSize	0.193***
	(0.021)
Risk	-0.489
	(0.531)
DividendPayout	6.592***
	(1.505)
Debt	0.163
	(0.242)
Performance	0.485
	(0.315)
SlackResources	-0.0592**
	(0.0216)
AdvertisingExpenditure	7.928***
	(1.985)
CapitalExpenditure	0.734*
	(0.318)
SGAExpenditure	0.0656
	(0.200)
FreeCashFlow	0.880**
	(0.283)
ShortIncentive	0.184
	(0.164)
LongIncentive	0.183
	(0.137)
ExecutiveOwnership	-1.044
	(1.008)
ExecutiveAge	-0.00164
	(0.00481)
ExecutiveTenure	-0.00476
	(0.00414)
ExecutiveGender	-0.259+
	(0.149)
Duality	0.110+

	(0.0608)
BoardIndependence	0.624*
	(0.273)
Constant	-0.812+
	(0.417)
Observations	2347
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.259

Table 5.18 - Post-hoc regressions for non-family firms category and family firms category.
The results of robustness post-hoc analysis of the relationship between strategic conformity and CSR in non-family firms -Panel A- and family firms -Panel B. The dependent variable is ***CSR*** representing is the rating of firm engagement in CSR measured by the composite net CSR index. ***FamilyFirm_Non-family*** is an indicator variable that equals 1 for family firm, and 0 otherwise; ***FamilyFirm_Family*** is an indicator variable that equals 0 for family firm, and -1 otherwise; ***StrategicConformity*** is the lagged value of the extent of similarity between a focal firm's asset strategies and these of other firms in its industry as a proximal measure of firm legitimacy.
Robust standard errors in parentheses. Standard errors are robust for clustering by firm.
*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Variables	*CSR*
Panel A- Non-family firms category	
FamilyFirm_Non-family	0.143*
	(0.0719)
StrategicConformity	0.0386+
	(0.0208)
FamilyFirm_Non-family × *StrategicConformity*	0.0374
	(0.0249)
Constant	-0.396*
	(0.179)
Panel B- Family firms category	
FamilyFirm_Family	0.143*
	(0.0719)
StrategicConformity	0.0459**
	(0.0139)
FamilyFirm_Family × *StrategicConformity*	0.0374
	(0.0249)
Constant	-0.353*
	(0.175)
Observations	2347
Industry Effect	Yes
Year Effect	Yes
Adjusted R^2	0.161

6 Conclusion

The extant literature has extensively investigated the difference in practices and decisions among firms. This differentiation has been commonly linked to the family ownership status (or not) of firms. Friedland and Alford (1991) explain such a discrepancy by introducing the notion of ILs as a proxy for firm behaviour, where they covertly embed in firm decision making, and in turn, drive firm behaviour. ILs underpin the culture and nature of firms as they provide the prescriptions and means of appropriate behaviour, shaping firm practices and decisions (Meyer and Rowan, 1977; Danisman et al., 2006; Thornton and Ocasio, 2008; Greenwood et al., 2011).

Emphasising the role of ILs as latent drivers of firm behaviour, in this thesis, I emphasised and operationalised both family and market logics. To differentiate among and classify firms, I relied on the SEW perspective concerning the non-economic utilities of key firm actors attached to the firm that present a key reference point of firm practices and decisions. SEW is a main distinguishing factor that captures the uniqueness of family firm behaviour, which has grabbed a growing attention in the family business literature. Specifically, drawing on the concern for SEW preservation, I identified and classified firms according to real firm practices and decisions. In doing so, this thesis differentiates itself from the the extant family-oriented studies that have widely emphsised the ownership criteria in terms of ownership status (family or not), which is believed to overlook the importance of firm behaviour.

Investigating the discrepancy in firm behaviour among firms, in this thesis, I introduced the concept of firm logic orientation, which depicts and defines the firm type in terms of the logic-based group regarding the embeddedness of family and market logics by which a firm is driven. Particularly, I presented the constructs of familiness and non-familiness, or marketness. In doing so, I developed an index of the logic orientation of firms and came up with an institutional-based classification of FLDFs, hybrid firms and MLDFs based on several behavioural dimensions.

Building on the SEW preservation perspective, in this thesis, I portrayed FLDFs and MLDFs as behaving similarly to family and non-family firms, respectively, in terms of their motives, objectives and essence. Primarily, I depicted MLDFs as shareholder-oriented firms that prioritise the primary economic business objective of profitability and shareholders' wealth maximisation, demonstrating an archetypal business setting. In contrast, presenting a different business setting, FLDFs display a family-oriented attitude and preference in terms of prioritising the preservation of SEW derived from the firm, overlapping the family and business systems. Moreover, hybrid firms display an intersection between FLDFs and MLDFs regarding firm practices and decisions, overlapping family and market logics.

6 Conclusion

In this thesis, I shed light on the difference in firm practices and behaviour via several empirical windows, incorporating the role of ILs regarding the concept of distinction among firms. Particularly, emphasising the contexts of CG and CSR, I provided empirical evidence that ILs give a viable explanation for the discrepancy among firms concerning firm governance and social performance. Examining the association between firm logic orientation and CG, the first empirical chapter – Chapter 3 – has an important implication for discovering the difference between FLDFs and MLDFs regarding CG configurations.

This study emphasised whether and how firm logic orientation influences the firm choice of internal CG configurations. In line with the ILs perspective, the structure of the board of directors and executive compensation plan showed to differ according to the logic orientation of firms, where family and market logics drive firm practices and decisions differently. Generally, I found that, compared with MLDFs, FLDFs exhibit a distinct choice of board size, board independence and executive compensation. Particularly, the boards of FLDFs are smaller and less independent relative to MLDFs. Moreover, compared with MLDFs, FLDFs pay lower total and equity-based compensation.

Consistent with the CG deviance perspective (Aguilera et al., 2018), these findings implied a unique, potent identity of FLDFs stemming from the concern for SEW preservation, which yields their CG latitude. SEW represents the most prominent feature of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), which characterises FLDFs relative to MLDFs concerning SEW-related interest and goals. Accordingly, FLDFs appeared to undertake deviant, idiosyncratic CG practices relative to the dominant shareholder-oriented governance system in the name of preserving the non-economic benefits of firm's key actors, including authority, control and power, job security and protection, reputation and prestige and social ties, closely attached to the firm (Gomez-Mejia et al., 2011a).

As Ravasi and Schultz (2006) assert, firm identity is a sensemaking tool that interprets and gives meaning to firm behaviour. It defines what a firm is and how it wishes to be, determining firm interests and priorities (Glynn, 2008; Kodeih and Greenwood, 2014). Thus, the priority of SEW preservation primarily reflects a distinct identity of FLDFs in terms of SEW-related concerns and goals. Therefore, according to Greenwood et al. (2011), FLDFs' identity enacts conditions against, and in turn, resistance to the demands, standards and expectations of CG imposed by the prevailing governance practices, that is, the CG discretion of FLDFs.

Stemming from the perspective of SEW preservation, the executives of FLDFs actively strive for maintaining or extending the non-economic benefits linked to the firm and mitigating the risk exposure of SEW. Accordingly, regarding CG configurations, they prefer and advocate configuring the board of directors and executive compensation in a way that facilitates or at

least does not hinder preserving their affective endowments. Specifically, this is related to limiting the monitoring and advising functions of the board in terms of smaller and less independent boards of FLDFs, as well as forgoing managerial remuneration and decoupling managerial performance and pay in terms of lower total and equity-based compensation, respectively.

Similarly, for the controlling shareholders of FLDFs, the board of directors is a tool through which they fulfil their goals and preferences including both economic and non-economic benefits, favouring smaller and less independent boards for more attainable negotiation, communication and control over management appointment and decisions. In addition, the dominant shareholders enforce their ownership and/or voting rights to support and protect managers, who in return advocate and carry out their interests and objectives, in the sense of a lax linkage between managerial performance and pay. As such, FLDFs showed to implement distinct CG practices relative to MLDFs, avoiding CG configurations that expose their non-economic utilities, such as authority and power, reputation and prestige, job security and protection and business networks, attached to the firm to risk.

Further, building on the perspective of SEW preservation, the affective endowments derived from the firm pose a substantial incentive for both the managers and controlling shareholders of FLDFs to voluntarily serve as self-monitored stewards of the business. Particularly, FLDF managers effectively safeguard the firm financially, and as such, protect or expand their SEW, given the interdependence of firm's financial status and SEW, as well as the dual financial and SEW-related risks borne by managers because of their undiversified financial wealth. Thus, preserving their both financial wealth and SEW, the managers of FLDFs are self-incentivised to act efficiently and not opportunistically, given the managerial labour market competitiveness and the threat of takeover market.

Likewise, given their large shareholdings that also endorse the SEW of authority and control, prestige and social ties, the dominant shareholders of FLDFs are self-motivated to closely and effectively monitor, assess and discipline top management, protecting their both economic and non-economic benefits linked to the firm. Concerning their respective controlling roles, this diminishes the need for large and independent boards and limits the necessity of high total compensation and equity-based compensation, justifying the discrepancy in CG configurations between FLDFs and MLDFs.

Drawing on the difference in CG configurations between FLDFs and MLDFs, in this study, I provided the ILs, CG and family business scholars, as well as policymakers and regulators with a new institutional-based explanation for the difference in firm governance practices that expands the understanding of ILs and CG. The study has important implications

and feedback regarding the understanding and conceptualisation of the familiness and marketness of firms, applying the ILs perspective to identify and classify firms in terms of depicting and differentiating between family and non-family firm-like behaviours. Emphasising the SEW perspective, in this study, I incorporated ILs to primarily detect family-oriented firms and – by extension – their counterparts as a different manner for the distinction among firms; in doing so, I stressed family and market logics irrespective of ownership status (family or not).

Moreover, building on the SEW preservation perspective, I established a quantitative approach to identify and assess the embeddedness of family and market logics. I incorporated several behavioural dimensions that capture variations among the logic-based groups of firms, generating an institutional-based classification of firms beyond the traditional understanding of the firm types relating to the ownership criteria. Further, I applied a distinct view of the familiness and marketness of firms to the CG context, revealing an impact of firm logic orientation on firm governance practices, namely the firm choice of internal CG configurations.

Extending the argument on firm logic orientation as a latent explanatory institutional factor of CG configurations, the second empirical chapter – Chapter 4 – has an important implication for detecting the moderating role of firm logic orientation in relation to the CG determinant-configuration relationships. Given the association between firm logic orientation and CG configurations highlighted in the first empirical chapter – Chapter 3, this study addressed whether the effect of well-known CG determinants, including firm-specific, managerial and governance characteristics, on CG configurations is a function of or conditional by the firm type in terms of the logic-based group.

It stressed the CG determinant-configuration relationships as a more subtle and in-depth manifestation of firm character – the logic orientation of firms – in firm behaviour. In other words, relative to the main effect of firm logic orientation addressed in the previous chapter, it emphasised the moderation effect of the logic orientation of firms – both familiness and marketness – on the relationship between CG determinants and configurations in terms of the board of directors structure and executive compensation design. In line with the perspective of ILs, the positive – as well as negative – effect of CG determinants on CG configurations showed to be a function of the logic orientation of firms, where family and market logics drive firm practices and decisions differently.

To the extent that the CG determinant-configuration relationships are generally well-established in the literature, they appeared to operate differently among firms that vary conceptually in terms of the embeddedness of family and market logics. Overall, I found that the familiness and marketness of firms have different effects on this relationship, where the familiness of firms lessens the positive relationship between CG determinants and

configurations compared with the marketness logic orientation. Specifically, emphasising the complexity of firm operations and monitoring and advising benefits, the positive effect on both board size and independence is less pronounced in FLDFs relative to MLDFs. This is also true for the negative effect of certain CG determinants on board size and independence. Similarly, for executive total and equity-based compensation, the positive effect of the scope of firm business, the effectiveness of the board structure and managerial entrenchment is mitigated in FLDF compared with MLDFs.

As discussed earlier, in contrast to shareholder-oriented MLDFs, FLDFs exhibit a family-oriented attitude and preference regarding prioritising the protection of the non-economic benefits of key firm actors, drawing on the perspective of SEW preservation. Given that SEW is the leading aspect of family-oriented identity (Berrone et al., 2012; Cruz et al., 2014), the priority of SEW preservation posits a unique, influential identity of FLDFs. FLDFs' identity enforces conditions against, and in turn, resistance to external demands and pressures (Greenwood et al., 2011) concerning CG in accordance with SEW-related interests and concerns.

Thus, as mentioned above, these results indicated that such an identity drives the discretion of FLDFs over firm governance in the name of preserving SEW, yielding different, idiosyncratic governance practices relative to the dominant shareholder-oriented governance system, in line with the perspective of CG deviance (Aguilera et al., 2018). Stemming from the ILs perspective, the identity of FLDFs thereby serves as an organisational filter (Greenwood et al., 2011), which frames how firms fulfil and respond to the demands, standards and expectations of CG imposed by the prevailing governance system in compliance with the concern for SEW preservation.

Particularly, emphasising the firm identity perspective, FLDFs apply an organisational filter between CG determinants and configurations, filtering the CG demands and pressures enforced by the dominant governance practices that contradict SEW-related interests and goals. Therefore, relative to MLDFs, FLDFs respond differently to CG determinants concerning CG configurations, where the CG practices of FLDFs are aligned with their priorities and interests regarding the SEW preservation, which reflects the characterisation and distinction of their identity, irrespective of the prevailing governance practices. Accordingly, limiting the relationship between CG determinants and configurations, FLDFs avoid undertaking CG practices that threaten SEW. In contrast, prioritising the profitability and shareholders' wealth maximisation, MLDFs appear to obey the external demands and pressures imposed by the dominant shareholder-oriented governance system, given the overriding objective of CG regarding the maximisation of shareholders' wealth. Thus, drawing on the firm theory and

market discipline perspectives, they undertake the dominant governance practices to avoid being disciplined by the market.

Further, as FLDFs tend to implement CG practices that support their SEW-related goals, interests and concerns, which collectively demonstrate firm identity, FLDFs seem to adopt the response strategy of decoupling to the pressures, standards, and expectations of CG, responding distinctly to CG determinants regarding CG configurations. Specifically, FLDFs decouple CG configurations from their determinants, isolating themselves from the CG pressures and demands enforced by the prevailing governance practices if these conflict with their interest and undermine their priority of SEW preservation. That is, restraining the CG determinant-configuration relationships, FLDFs refrain implementing CG practices that expose SEW to risk.

Accordingly, by decoupling, FLDFs separate between the implemented and standard or normative structures (Tilcsik, 2010; Bromley and Powell, 2012) concerning CG. In other words, adopting decoupling response strategy, unlike MLDFs, FLDFs do not undertake the dominant governance practices at their operational level; instead, according to Mair et al. (2015), they conform to the minimum standards for legitimacy-seeking purposes. Thus, they depart from the prevailing governance system in the name of preserving SEW; consistent with the CG deviance perspective (Aguilera et al., 2018), this results in different, idiosyncratic governance practices.

Moreover, as mentioned above, given the dual threat that FLDFs managers cope with and the interdependence of the financial standing of firms and SEW (Berrone et al., 2012; Miller and Le Breton-Miller, 2014), the affective endowments linked to the firm self-motivate the managers of FLDFs to voluntarily serve as self-monitored stewards of the business. The economic and non-economic objectives can be fulfilled simultaneously, where preserving the SEW of key firm actors benefits the financial performance, and as such, financial status of the firm and vice versa. Preserving and extending the non-economic utilities derived from the firm – including authority and power, social ties, reputation and prestige and job security – entail, on the part of FLDF managers, making an extensive effort to run the business, effectively engaging with firm stakeholders and improving firm competitiveness and survival (Miller and Le Breton-Miller, 2005; Cennamo et al., 2012; Kellermanns et al., 2012). Therefore, such interdependence of firm's financial status and SEW provides FLDF managers with a substantial incentive to actively protect the firm business financially, and in turn, maintain the non-economic benefits attached to the firm for a win-win objective of shareholders and managers.

Relatedly, unlike shareholders, managers are undiversified in their financial wealth. Their financial welfare is closely linked to their careers, which also grant reputation and prestige, authority and control, job security and protection and social ties. Accordingly, given the competitiveness of managerial labour market and the threat of takeover market, poor financial

performance has the potential of a dual threat that FLDF managers confront in terms of financial hardship and SEW loss (Berrone et al., 2012). Likewise, bearing both financial and SEW-related risks poses a substantial incentive for FLDF managers to actively safeguard the firm financial, and consequently, protect their both economic and non-economic utilities derived from the firms. That is, emphasising the concern for preserving their SEW, the managers of FLDFs are self-incentivised to act efficiently and not opportunistically.

This constrains the potential opportunistic behaviour of FLDF managers because the loss aversion of current SEW offsets the chase of future gains. Therefore, stemming from the SEW preservation perspective, the self-motivation of FLDF managers triggers their stewardship and, as van Aaken et al. (2017) assert, self-governance. This thereby underlies the substitution effect of SEW for the respective controlling roles of the board of directors and executive compensation (Williamson, 1983). In other words, the importance of the board of directors and executive compensation as internal CG configurations, regarding the roles of monitoring and advising, and managerial motivation and the alignment of interests, respectively, is alleviated in FLDFs where the preservation of SEW is a priority. Specifically, SEW plays a disciplinary role for the managers of FLDFs given the concern for protecting their affective endowments linked to the firm, leaving little room for internal CG configurations in terms of restricting the relationship between CG determinants and configurations.

Irrespective of ownership status (family or not), the response of CG configurations to their determinants showed to differ as a function of or conditional by firm logic orientation. Given the empirical evidence of the difference in the choices of CG configurations between FLDFs and MLDFs addressed in the previous chapter, in this study, I directed attention to a further underlying explanation, highlighting the moderation effect of the logic orientation of firms on the CG determinant-configuration relationships. Drawing on the difference in CG determinant-configuration relationships between FLDFs and MLDFs, in this study, I provided ILs, CG and family business scholars, as well as policymakers and regulators with a new institutional-based explanation for the difference in firm governance practices, expanding the understanding of ILs and CG.

Driving firm behaviour, the familiness logic orientation evidently differentiates firms from the standard, shareholder-oriented view of firms – the marketness logic orientation – which exhibits in, first, a different choice of internal CG configurations, and second, a different relationship between CG determinants and configurations. This can extend the knowledge of scholars, policymakers and regulators on ILs and CG. Primarily, they need to consider that, apart from family ownership status (or not), FLDFs prioritise the preservation of SEW, which

characterises a unique, potent firm identity, and in turn, interferes in the adoption of dominant shareholder-oriented governance practices, namely CG deviance.

Stemming from the perspective of SEW preservation, FLDFs configure firm governance in a way that best fits them, highlighting FLDFs as a distinct business form or approach compared with shareholder-oriented MLDFs (Greenwood et al., 2010). Specifically, the above studies imply that the familiness logic orientation of firms portrays a family-oriented attitude and preference that prompt FLDFs' tendency to depart from the archetypal shareholder-oriented business setting of MLDFs where a marketness logic orientation, underpinning the discrepancy in CG. This impacts the understanding and evaluation of firm strategies and practices, where the discrepancy among firms may be explained against market and government regulations and policies.

Fundamentally, these studies can expand the understanding of firm governance among CG scholars, policymakers and regulators, giving them an insight that a single governance system does not fit all firms. However, the logic orientation of firms covertly plays a key role in configuring the CG of firms, shedding light on the influence of firm logic orientation on the firm choice of internal CG configurations, as well as CG determinant-configuration relationships given the variations among the logic-based groups of firms. Providing a different, institutional-based explanation for the discrepancy in CG among firms, this can help CG scholars, policymakers and regulators understand the role of ILs in triggering the differences in firm behaviour related to firm governance and develop CG research, regulations and policies. This indicates the importance to take into account the latent institutional factor of firm logic orientation to achieve a better understanding of firms and by extension firm practices and behaviour.

Examining the association between firm logic orientation and CSR, the third empirical chapter – Chapter 5 – has a key implication for detecting the difference between FLDFs and MLDFs concerning CSR performance, as well as the moderating role of firm logic orientation regarding the strategic conformity-CSR relationship. This study emphasised whether and how firm logic orientation affects CSR performance in terms of the rating of firm engagement in CSR. Consistent with the perspective of ILs, CSR performance showed to vary according to the logic orientation of firms, where family and market logics shape firm practices and decisions distinctly. Overall, I found that the socially responsible practices of firms are associated with firm logic orientation. Specifically, relative to MLDFs, FLDFs showed to be less socially responsible, where FLDFs perform worse concerning CSR as the familiness of firms has a negative effect on CSR performance.

Moreover, this study also addressed the role of firm legitimacy as an input of firm social performance in terms of the impact of firm legitimacy on the impression of firms' CSR. Further, extending the argument on the association between firm legitimacy and CSR, it emphasised whether the effect of strategic conformity – a legitimacy-seeking activity – on CSR performance is a function of or conditional by the firm type in terms of the logic-based group. It stressed the strategic conformity-CSR relationship as a more perceptive and in-depth articulation of firm character – the logic orientation of firms – in firm practices and decisions. In other words, relative to the main effect of firm logic orientation on CSR performance, it addressed the moderation effect of the logic orientation of firms – both familiness and marketness – on the relationship between strategic conformity and CSR performance regarding the evaluation of how firms perform in terms of the social and environmental impacts of their practices and decisions.

Emphasising the firm legitimacy and isomorphism perspectives, the adoption of isomorphic practices, namely isomorphic strategies, to those of industry peers, as a legitimacy-seeking activity, appeared to influence CSR performance. Further, this relationship showed to differ according to firm logic orientation. Particularly, I found that strategic conformity positively affects CSR performance in terms of improving the view of the CSR of firms, shedding light on the social gains that firms obtain from firm legitimation. Generally, stressing the incremental advantage of strategic conformity for CSR performance, I also found that the familiness and marketness of firms have different effects on such a relationship. In other words, the strategic conformity-CSR relationship appeared to operate differently among firms that vary conceptually in terms of the embeddedness of family and market logics. Specifically, compared with the marketness logic orientation, the familiness of firms amplifies this positive relationship, where the effect of strategic conformity on CSR performance is more pronounced in FLDFs relative to MLDFs.

As mentioned above, building on the SEW perspective, FLDFs were characterised by the priority of SEW preservation as opposed to shareholder-oriented MLDFs. Given the multidimensional character of SEW, the SEW dimensions can be both positively and negatively valanced as they associate with pleasant (positive) and unpleasant (negative) emotions and consequences concerning firm stakeholders. The double-valanced nature of SEW dimensions thereby suggests an ambiguous nature of SEW (Kellermanns et al., 2012; Zientara, 2017). Stressing the essential SEW dimensions of firm reputation and prestige and social ties, FLDFs are effectively responsive to the interests and demands of external rather than internal stakeholders. As such, they burnish the image and reputation of firms with which firm's key actors are closely identified, as well as sustain business networks by broadcasting their social and environmental contributions.

Moreover, considering another key SEW dimension of authority, power and control, FLDFs maintain such non-economic benefits in the hands of managers at the cost of internal stakeholders, namely employees. Thus, they abandon employees' needs and concerns regarding promotions, appreciation of their competencies and potentials and involvement in decision making, while protecting the affective endowments of key firm actors in compliance with the family-oriented values and essence of nepotism and prejudice. Thus, given the concern for preserving the non-economic utilities derived from the firm, FLDFs treat the internal and external stakeholders unequally and unfairly, as well as discriminate among internal stakeholders themselves, implying the dark side of SEW (Kellermanns et al., 2012). Accordingly, this indicates that the SEW dimensions are contradictory from the perspective of CSR.

Particularly, stressing different dimensions of SEW, FLDFs overlook the demands and interests of some internal stakeholders, while effectively considering the concerns and interests of external stakeholders, avoiding the non-economic benefits of key firm actors from being jeopardised (Cruz et al., 2014). Therefore, given the concern for SEW preservation, FLDFs can be both good and bad simultaneously, enforcing their self-serving and discriminatory behaviours as FLDFs respond to the interests and demands of firm stakeholders distinctly (Cruz et al., 2014). In other words, fulfilling SEW-related interests and goals, FLDFs behave both socially responsibly and irresponsibly at the same time, suggesting the corporate schizophrenia of FLDFs (Zientara, 2017).

In consistency, given the priority of SEW preservation, FLDFs selectively and instrumentally undertake socially responsible practices, adopting an instrumental (selective) approach to CSR (Zientara, 2017). Specifically, FLDFs use CSR as a marketing or public relations tool to serve SEW-related interests and concerns. Consistent with this, FLDFs adopt a selective coupling response strategy to the demands and interests of firm stakeholders in terms of undertaking purposeful CSR initiatives and activities (Pache and Santos, 2013). By selective coupling, FLDFs implement socially responsible practices that best fit them in terms of aligning with firm's self-interests related to SEW regarding obtaining or extending (alleviating) gains (losses) of SEW. That is, irrespective of the detriments and disadvantages for firm stakeholders, they disregard stakeholders' interests and concerns whenever SEW is exposed to threat. In doing so, unlike MLDFs, FLDFs exhibit self-serving and discriminatory behaviours, where they carry out social practices and decisions at the expense of some firm stakeholders in a self-serving manner.

In contrast, drawing on the firm theory and market discipline perspectives, MLDFs adopt a strategic (normative) approach to CSR for the wider social good. Unlike FLDFs, MLDFs view

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CSR as a core business strategy in terms of effectively and unselectively responding to the demands and concerns of firm stakeholders. In particular, MLDFs reconcile the corporate good with the social good in the sense that doing good, in terms of actively counting the social and environmental effects of firm practices and decisions, leads to doing better. They do so for the best interests of shareholders regarding shareholders' wealth maximisation as they trigger the loyalty of and attract socially conscious investors and other stakeholders (McWilliams and Siegel, 2001; Sen and Bhattacharya, 2001; Nelson, 2004; Borghesi et al., 2014).

As FLDFs act selectively and opportunistically, SEW has negative implications for the firm stakeholders of FLDFs. Particularly, this is in relation to less proactive stakeholder engagement and weak stakeholder management, where FLDFs act discriminatorily from the CSR perspective . Thus, drawing on the SEW's dark side perspective (Kellermanns et al., 2012), FLDFs are less socially responsible compared with MLDFs, where they perform worse concerning CSR in terms of the rating of firm engagement in CSR. That is, FLDFs confront the shadow of the dark side of SEW involving the self-serving behaviour that SEW triggers, as well as the resulting discriminatory behaviour towards firm stakeholders, which undermines the CSR performance of FLDFs relative to MLDFs.

Emphasising the perspective of firm legitimacy, favourable firm reputation and stakeholders' support are predictable valued consequences of firm legitimation that conveys the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour. These socially constructed outcomes thereby improve firm competitiveness and survival by creating positive image and granting access to fundamental business resources – both financial and human capital – which contribute significantly to firm performance (Rao, 1994; Choi and Shepherd, 2005; Bitektine, 2011). Accordingly, drawing on the benefit and advantage of firm legitimacy, strategic conformity – a legitimacy-seeking activity – positively affects CSR performance regarding the evaluation of how firms perform in terms of the social and environmental impacts of their practices and decisions, given that both CSR and firm legitimacy connect to firm stakeholders as the recipients and social evaluators of firm practices and behaviour, respectively.

Emphasising firm acceptance and approval concerning firm practices and decisions, firm legitimacy, as a survival-enhancing aspect, helps protect the conduct of firms from being mistrusted (Meyer and Rowan, 1977; Suchman, 1995). Thus, stressing the assumption that isomorphism – namely mimetic isomorphism – generates and improves firm legitimacy (Meyer and Rowan, 1977; Deephouse and Carter, 2005), the adoption of isomorphic strategies helps firms enhance the perception of their CSR in terms of the rating of firm engagement in CSR.

This reveals the social gains of firms obtained from firm legitimacy, where strategic conformity has incremental value for CSR performance.

Stemming from the difference in CSR performance between FLDFs and MLDFs, they are likely to vary in firm legitimation in relation to the satisfaction and endorsement of firm stakeholders concerning social practices and decisions. On the one hand, the firm legitimacy of MLDFs is taken for granted as they effectively strive for firm's social validation. As outlined above, drawing on the firm theory and market discipline perspectives, they actively seek the firm acceptance and approval conferred by firm stakeholders regarding the appropriateness and properness of firm practices and decisions. Therefore, stressing CSR initiatives and activities, MLDFs effectively consider the interests and concerns of all firm stakeholders, consistent with the strategic whole-business view of responsibility. Specifically, they keenly count the social and environmental consequences of their practices and decisions. In doing so, MLDFs adopt the strategic approach to CSR, reconciling the corporate good with the social good for the best benefit of shareholders in terms of maximising shareholders' wealth.

On the other hand, adopting an instrumental approach to CSR, FLDFs lack firm legitimacy in accordance with the dark side of SEW involving their self-serving and discriminatory behaviours, which prompts the imprudence, guiltiness and suspiciousness of FLDFs in the eyes of firm stakeholders. Particularly, emphasising social practices and decisions, the discrimination among internal stakeholders themselves, as well as the unequal and unfair treatment of internal and external stakeholders impose the firm stakeholders' view of the poor publicity, negative image and unfavourable reputation of FLDFs regarding firm engagement in CSR. As such, stressing the satisfaction and endorsement of firm stakeholders, the legitimation of FLDFs is deficient.

Drawing on the discrepancy in firm legitimacy associated with the aforesaid difference in CSR performance, the social gains of firms that firm legitimation triggers differ between FLDFs and MLDFs. In particular, given their taken-for-granted legitimation, MLDFs do not further benefit from strategic conformity regarding CSR performance as they normally possess the benefit and value of firm legitimacy in relation to the socially constructed outcomes. Whereas, given their lack of firm legitimation, strategic conformity has a substantial incremental value for the CSR performance of FLDFs relative to MLDFs. Moreover, lacking firm legitimacy, FLDFs are seemingly rewarded for seeking legitimacy in terms of enhancing the view of their CSR. This is in accordance with the perceived firm legitimacy and its predictable significant outcomes, in terms of favourable firm reputation and stakeholders' support, that convey the satisfaction and endorsement of firm stakeholders regarding firm practices and behaviour.

Further, as CSR serves as a strategy for achieving firm legitimacy (Du and Vieira, 2012; Zheng et al., 2015), the perception of firm legitimacy through strategic conformity infers the potential of firm engagement in CSR to maintain such firm legitimation, enhancing the view of firms' CSR in terms of the rating of firm engagement in CSR. Unlike MLDFs, FLDFs view CSR as marketing or public relations instrument rather than a core business strategy. Thus, such an inference from seeking legitimacy through the adoption of isomorphic strategies is of more interest to FLDFs compared with MLDFs. This is because FLDFs are less socially responsible, and in turn, less legitimate relative to MLDFs, where, as mentioned earlier, they undertake CSR initiatives and activities selectively and instrumentally to serve SEW-related interests and goals, adopting an instrumental rather than strategic approach to CSR.

Accordingly, strategic conformity, as a legitimacy-seeking activity, has a substantial incremental advantage for the CSR performance of FLDFs. In other words, seeking legitimacy through adopting isomorphic strategies more likely helps enhance the impression of the CSR of FLDFs compared with MLDFs. That is, legitimacy-seeking activities, specifically strategic conformity, work best for FLDFs. Thus, the impact of firm legitimacy on the perception of firms' CSR varies according to firm logic orientation. Particularly, relative to the marketness logic orientation, the familiness of firms amplifies the positive effect of strategic conformity on CSR performance.

Following Salomon and Wu (2012), FLDFs perhaps implement an isomorphism strategy in terms of mimicking firm practices to mitigate the distance to, or discrepancy from, other firms – industry peers – striving for firm legitimacy. Thus, adopting such a mitigating strategy, they effectively can overcome the difficulties and disadvantages resulting from SEW's dark side, where firm legitimacy helps them create desirable image and obtain access to essential business resources, as well as a long-term relationship with firm stakeholders that significantly contribute to firm performance ,and as such, enhance the firm competitiveness and survival.

Therefore, conforming to industry peers, FLDFs perhaps attempt to deliberately do things simply better to obtain firm legitimacy of which they expect a vital benefit and advantage related to the predictable valued socially constructed outcomes of favourable firm reputation and stakeholders' support. This, in turn, has an incremental advantage of improving the perception of firms' CSR, given that firm legitimacy presents a survival-enhancing feature (Meyer and Rowan, 1977; Suchman, 1995), which helps keep FLDFs from having their conduct, specifically firm engagement in CSR, questioned or mistrusted.

Stressing the isomorphism attempts, strategic conformity helps offset the otherwise negative effect of the familiness of firms on CSR performance imposed by the dark side of SEW. Therefore, stressing the firm legitimacy perspective, this provides an insight into a

channel through which FLDFs can manage to mitigate their negative publicity, negative image and poor reputation concerning firm engagement in CSR, given the shadow of the dark side of SEW deteriorating proactive stakeholder engagement and challenging stakeholder management .

Building on the discrepancy in CSR performance among the logic-based groups of firms, in this study, I provided ILs, CSR and family business scholars, as well as policymakers and regulators, with a new institutional-based explanation for the difference in socially responsible practices among firms that develop the understanding of ILs and CSR. Specifically, stressing the ILs perspective, I applied a distinct view of the familiness and marketness of firms to the CSR context. I further addressed the influence of firm logic orientation on CSR regarding the evaluation of how firms perform on the ESG performance benchmarks relating to the social and environmental impacts of firm practices and decisions. Drawing on the difference in CSR performance among firms, the study has important implications and feedback for scholars, policymakers and regulators regarding the understanding and conceptualisation of the familiness and marketness of firms.

Driving firm behaviour, the familiness logic orientation apparently distinguishes firms from the standard, shareholder-oriented view of firms – the marketness logic orientation – which reveals a different CSR performance. This study can extend the knowledge of scholars, policymakers and regulators on ILs and CSR. Primarily, they need to consider that, apart from family ownership status (or not), FLDFs prioritise SEW-related interests and goals, which outweigh the demands and concerns of firm stakeholders, and as such, overlook the prominence of CSR. In this study, I mainly directed attention to the shadow of the dark side of SEW and its detrimental outcomes for firm stakeholders.

Stemming from the SEW preservation perspective, FLDFs engage in CSR in a way that best fits them, highlighting FLDFs as a distinct business form or approach relative to shareholder-oriented MLDFs (Greenwood et al., 2010). Specifically, the study indicates that the familiness logic orientation of firms displays a family-oriented attitude and preference that trigger FLDFs' propensity to depart from the typical shareholder-oriented business setting of MLDFs where a marketness logic orientation, primarily underlying the difference in CSR. This affects the understanding and evaluation of firm strategies and practices, where the difference among firms may be justified against market and government regulations and policies.

Fundamentally, this study can expand the understanding of firm engagement in CSR among CSR scholars, policymakers and regulators, providing them with an insight that firms can be selective in terms of CSR initiatives and activities. Mainly, the firm logic orientation of firms implicitly plays a key role in undertaking social practices and decisions, highlighting the

effect of the logic orientation of firms on the socially responsible practices given the difference in CSR performance among the logic-based groups of firms. Providing a distinct, institutional-based explanation for the discrepancy in CSR among firms, this can help CSR scholars, policymakers and regulators understand the role of ILs in prompting the discrepancies in firm behaviour related to firm engagement in CSR and develop CSR research, regulations and policies. This implies the importance to deliberate the latent institutional factor of firm logic orientation to achieve a better understanding of firms and by extension firm practices and behaviour.

Emphasising the firm legitimacy and isomorphism perspectives, in this study, I also provided important feedback for firm legitimacy scholars in terms of the social gains that firms obtain from firm legitimacy. Given the expected significant socially constructed consequences of firm legitimacy, FLDFs show to improve the view of their CSR, stressing their isomorphism attempts relating to the adoption of isomorphic strategies. Accordingly, this study can give them insight and advance their understanding of firm legitimacy as an explanatory factor of CSR performance, emphasising CSR from a different perspective that stresses a subjective assessment of CSR initiatives and activities, which represents the evaluation of how firms perform on a number of ESG categories addressed by ESG performance indicators. Specifically, given the ESG performance benchmarks, these indicators encompass the social and environmental effects of firm practices and decisions in relation to ESG strengths and concerns addressed by each category.

Given the worse CSR performance of FLDFs, the familiness logic orientation has a different, amplifying effect relative to the marketness of firms on the positive strategic conformity-CSR relationship, alleviating the otherwise negative effect of familiness on CSR performance. Therefore, stressing the SEW's dark side perspective, the study can expand the understanding of scholars, policymakers and regulators of the underlying goal of, perhaps, the purposeful isomorphism attempts of FLDFs regarding the adoption of isomorphic strategies, namely asset strategies, to those of industry peers.

Given the social gains of firms that firm legitimation triggers in terms of improving the perception of firms' CSR, seeking legitimacy regarding the adoption of isomorphic practices represents a channel that helps FLDFs alleviate their negligence, guiltiness and suspiciousness in the eyes of firm stakeholders in relation to the dark side of SEW. This gives an insight that FLDFs effectively manage the shadow of SEW's dark side. In other words, emphasising the isomorphism attempts, FLDFs overcome the shadow of the dark side of SEW, in terms of their bad publicity, negative image and unfavourable reputation regarding firm engagement in CSR,

by adopting isomorphic strategies, specifically strategic conformity, that improves the impression of their CSR.

Irrespective of family ownership status (or not), FLDFs and MLDFs appeared to adopt CG practices resembling those implemented by archetypal family and non-family firms, respectively. Moreover, FLDFs and MLDFs displayed CSR performance similar to that of genuine family and non-family firms, respectively. Highlighting a different view of the familiness and marketness of firms, FLDFs and MLDFs, as such, respectively match family-owned or managed and non-family firms in terms of firm practices and decisions, displaying family and non-family firm-like behaviours, respectively. Regarding the underlying concept of family logic, it suggests a family-oriented flavour and essence in terms of the priority of SEW preservation as opposed to the core of market logic, which lies in the priority of profitability and shareholders' wealth maximisation. Accordingly, drawing on the popular SEW model, in this thesis, I explained that FLDFs structure the boards and plan executive compensation in a way that complies with and preserves or extends the non-economic benefits of firms' key actors derived from the firm, mitigating the risk exposure of SEW. Likewise, I explained that FLDFs undertake CSR initiatives and activities in a way that best aligns with and protects or expands the non-economic utilities of key firm actors attached to the firm, avoiding the potential loss of SEW.

Given the logic orientation of firms, in this thesis, I provided empirical evidence that firms vary in internally configuring the firm business in terms of firm governance; this was found in the firm choice of internal CG configurations and the relationship between established CG determinants and configurations, as well as firm engagement in CSR; this was found in the CSR performance of firms and the interplay of firm logic orientation, firm legitimacy and CSR. This approves the role of ILs as being latent drivers of firm behaviour. Importantly, such evidence draws attention to and supports the introduced notion of firm logic orientation and approves the functionality of familiness and marketness constructs, differentiating among firms in terms of firm governance and social performance. In this way, in this thesis, I suggested a different classification of firms and a distinct view of their familiness and marketness. The key idea is that, stressing the embeddedness of family and market logics, firms differ in the culture and nature of running a business that implicitly embed in their decision making, and as such, shape and explain the differences in firm practices and decisions; this is primarily a hidden logic-based root. Thus, this thesis emphasises that it is not family ownership status (or not), but the firm practices and behaviour that characterise and define firms in terms of their distinctive culture and nature.

6 Conclusion

Consistent with the institutional theory assumption on the isomorphism or similarity of firms (DiMaggio and Powell, 1983; Scott, 1987; Zucker, 1987), firms behave similarly given the case of CG and CSR, where – at the firm level – they can be grouped as FLDFs, hybrid firms or MLDFs considering the embeddedness of family and market logics. Building on the ILs perspective, in this thesis, I pointed out that the embeddedness of such logics defines and determines the firm type, whether or not a firm is family-oriented. This emphasises that there is a distinction among firms in terms of actual firm practices and decisions beyond the traditional ownership criteria. Presenting the core of the main institutions of society that guide social actions (Thornton, 2004), ILs proxy for firm behaviour as they tacitly embed in firm decision making, and in turn, shape firm practices and decisions that tangibly demonstrate the latent institutional factor – the logic orientation of firms (Friedland and Alford, 1991). ILs provide taken-for-granted, resilient prescriptions and guidance that help make sense of social actors' practices, defining and setting the means of appropriate behaviour (Thornton and Ocasio, 2008; Greenwood et al., 2011).

Thus, emphasising the contexts of CG and CSR, the firm practices and decisions of FLDFs and MLDFs are basically tangible manifestation of embedded family and market logics, respectively, that trigger the discrepancy in firm behaviour. Drawing on the increasingly growing concept of SEW in the family business literature (Gomez-Mejia et al., 2007; Berrone et al., 2012), in this thesis, I introduced and empirically proved the functionality of the institutional-based classification that identifies and classifies firms irrespective of ownership status (family or not), emphasising the display of family and non-family firm-like behaviours and incorporating the firm practices of corporate diversification, earnings management, tax aggressiveness and R&D investment.

Accordingly, I suggested a distinct view of the familiness and marketness of firms, identifying and classifying them in a different manner from the conventional understanding and classification of firms widely emphasised in ownership-based studies. Drawing on the perspectives of ILs and SEW, in this thesis, I mainly asserted commonalities and similarities between FLDFs (MLDFs) and family (non-family) firms in terms of their motives, objectives and essence. Thus, I showed that family and non-family firm-like behaviours respectively represent demonstrations of family and market logics embedded in firm decision making apart from family ownership status (or not).

Importantly, in this thesis, I addressed the advantage of the institutional-based classification of firms as a simpler, faster and smarter approach relative to the conventional ownership-based classification. The traditional, widely used classification of family and non-family firms requires time and effort spent browsing the proxy statements and annual reports of

firms to find out about ownership status (family or not). In contrast, the new, institutional-based classification of firms is basically an accounting-based process that emphasises real firm practices and decisions. Particularly, it incorporates several behavioural dimensions measured using financial data easily accessible through various databases, drawing mainly on the extant family business research.

The thesis provides a conceptual and analytical framework to guide future research concerning firm behaviour and performance, advancing the understanding and conceptualisation of firm type. Unlike ownership-based studies, it sheds light on the role of ILs as covert drivers of firm behaviour to identify and differentiate among the logic-based groups of firms, highlighting a distinct view of the familiness and marketness of firms. It empirically showed that the embeddedness of ILs, namely family and market logics, or so-called firm logic orientation matters at least as much as ownership status (family or not) for firm practices and decisions.

Thus, future research should accommodate ILs in empirical models. One direction for further research is to revisit the key empirical questions, commonly referring to family or professional ownership, under the newly proposed lens of ILs as a latent explanatory – institutional – factor. Thus, it would be possible to discover and explain the areas of difference among firms from an institutional perspective. Applying the notion of firm logic orientation, a forthcoming study can investigate firm financial performance among the logic-based groups of firms, given the difference in CG configurations and CSR performance between FLDFs and MLDFs. Further research can also examine other firm aspects, such as agency costs, productivity, CSR reporting and marketing practices, as areas of focus in the extant literature. Moreover, it would be interesting to study whether the logic orientation of firms explains strategic conduct or strategic management choices, such as dividend policy, capital structure and mergers and acquisitions strategies.

Stemming from the quantitative measurement of the embeddedness of family and market logics, future research can emphasise the discrepancy within FLDFs and MLDFs themselves in relation to the behavioural dimensions, considering the differences in the incorporated firm practices that underlie the view and determination of the familiness and marketness of firms. The thesis can also give scholars insight to conduct future research stressing other nonmarket logics of the main institutions or societal sectors of society, such as state or religion, in which firms exist and operate. This can aid in providing quantitative measurement and empirical examination of the relative effects on firm behaviour.

One of the key points that could limit the precision of the work of this thesis is that the analysis was US-based. The cultural element in business research is crucial, and it is

increasingly accepted as a significant point of reference for global research. Therefore, it is reasonable to expect that the data and analysis would be influenced by using a sample comprising US firms. Particularly, the US context presents a highly capitalistic, market-driven business environment where the distinction between family and business (non-family) systems concerning firm practices and decisions could be more subtle relative to, for instance, the Italian context, calling into question the institutional-based classification of sample firms.

This, as a matter of fact, makes it more difficult and challenging to run the analysis and obtain promising results. However, in applying the institutional-based approach to identify and classify firms in a different global context, for instance, that of Italy or Kuwait, the difference among firms, family and non-family, would be more remarkable. As a result, the distinction can become easier in terms of characterising and defining firms in relation to firm behaviour, and as such, defining and determining the firm type regarding firm logic orientation. This is a limitation that highlights an opportunity for future research to conduct a global study examining the phenomenon in different countries.

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