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Joel Bothello, I Ioannou, VladAndrei Porumb and Yasemin ZenginKaraibrahimoglu
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CSR decoupling within business groups and the risk of perceived greenwashing

Joel Bothello¹  | Ioannis Ioannou²  |

Vlad-Andrei Porumb³  | Yasemin Zengin-Karaibrahimoglu⁴ 

¹John Molson School of Business,
Concordia University, Montréal, Québec,
Canada

²London Business School, London, UK

³Alliance Manchester Business School,
The University of Manchester,
Manchester, UK

⁴Faculty of Economics and Business,
University of Groningen, Groningen,
The Netherlands

Correspondence

Joel Bothello, John Molson School of
Business, Concordia University, 1455
Boulevard de Maisonneuve Ouest,
Montréal Canada, QC H3G 1M8.

Email: joel.bothello@concordia.ca

Abstract

Research Summary: Given the growing legitimacy of corporate social responsibility (CSR), many firms engage in symbolic communication to showcase CSR without undertaking commensurate substantive actions. This “CSR decoupling” can create a risk of perceived greenwashing, which, in turn, may negatively affect a firm’s performance. In this study, we explore an unexamined antecedent of decoupling: interfirm affiliation. Specifically, we use the structure of Business Groups (BGs) to investigate CSR decoupling *across* rather than within firms. We find that apex firms within a group are more likely to engage in CSR decoupling compared with non-apex firms and, importantly, are partially shielded from greenwashing perceptions by the market. Our research contributes to the literatures on decoupling, perceived greenwashing, and the role of BGs and their CSR practices.

Managerial Summary: Companies that engage in symbolic communication about corporate social responsibility (CSR) without substantive actions risk being perceived as “greenwashers,” a perception that harms firm performance. Our study demonstrates how, in certain contexts where firms are affiliated with others, this may not occur. For instance, apex firms

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within Business Groups (BGs)—where firms are interconnected through equity and social relationships—can report on the CSR actions of non-apex affiliates without providing commensurate substantive actions of their own. Importantly, the control and coordination abilities of these apex firms protect them from greenwashing perceptions. This study, therefore, demonstrates the role of BGs in shaping CSR practices and provides insights for managers to understand the potential risks and benefits of affiliations within BGs.

KEYWORDS

business groups, CSR, decoupling, greenwashing, identity domain

1 | INTRODUCTION

In response to increasing pressures and incentives for Corporate Social Responsibility (CSR) (Ioannou & Serafeim, 2015; Matten & Moon, 2008), a growing number of firms are engaging in CSR decoupling, that is, engaging in symbolic communication about their CSR initiatives without substantive changes to their organizational structure and practices (Delmas & Burbano, 2011; Marquis et al., 2016). Originating in neo-institutional theory, decoupling characterizes a behavior whereby an organization seeks to gain legitimacy by adopting a façade of acquiescence to widely held societal norms while making—whether intentionally or inadvertently—minimal commensurate changes to internal practices (Bromley & Powell, 2012; Meyer & Rowan, 1977). As such, decoupling has been extensively used by CSR scholars to conceptualize a divergence between CSR communication and CSR practice (Crilly et al., 2012; Crilly et al., 2016; Graafland & Smid, 2019; Luo et al., 2017; Lyon & Montgomery, 2015) or, in more colloquial terms, to characterize a discrepancy whereby CSR “talk” occurs without CSR “walk” (Tashman et al., 2019; Walker & Wan, 2012).

CSR decoupling has been attributed to a variety of individual, organizational, or contextual contingency factors (Guo et al., 2017), while recent research has also focused on its performance implications (Crilly et al., 2012; Tashman et al., 2019). Despite the potential appeal of decoupling as a means to gain legitimacy associated with CSR without the associated cost, a growing body of studies demonstrates how such behavior may negatively impact performance if it is perceived as so-called “greenwashing.” These negative effects occur mainly through damage to the intangible resources of a firm, including impairments on reputation, relationships with stakeholders, and organizational culture (Barnett, 2007; Cho et al., 2012; Godfrey, 2005; Siano et al., 2017). In contrast, communication about CSR initiatives supported by substantive actions is associated with improvements in firm performance, mainly through a positive impact on the intangible resources of the firm (Hawn & Ioannou, 2016; Surroca et al., 2010).

Even though these findings are important for understanding the antecedents of CSR decoupling and for revealing the negative effects of perceived greenwashing, they primarily focus on decoupling as it occurs *within* a firm, neglecting the implications of what may happen

when intangible resources are shared *across* firms (Chang & Hong, 2000; Kostova & Zaheer, 1999). For example, a firm that is affiliated with a socially responsible organization may be able to communicate on the substantive CSR actions of its partner (Baur & Palazzo, 2011; Poret, 2019); importantly, the relationship would potentially legitimize such communication in the eyes of stakeholders and thus reduce the risks of perceived greenwashing. In this sense, the potential benefits of decoupling and the risk of perceived greenwashing are theoretically and materially different in the context of affiliated firms compared to standalone firms.

This gap is also practically significant, considering that many non-Western economies are dominated by groups of affiliated firms that also fulfill important social welfare functions (Carney, 2008; Fisman & Khanna, 2004). These Business Groups (henceforth BGs) are interconnected through formal equity relationships, which are often complemented by social relationships (Chittoor et al., 2015; Manikandan & Ramachandran, 2015). Through the group structure, BG affiliates share intangible resources such as reputation and knowledge, benefiting all affiliates within the group (Amsden & Hikino, 1994; Carney et al., 2011; Chang & Hong, 2000). Importantly, BGs often feature an “apex” firm responsible for control and coordination of the group (Dau et al., 2021; Morck et al., 2005; Yiu et al., 2007).

We suggest that a focus on BGs can generate important theoretical and empirical insights for understanding CSR decoupling across firms and its financial implications. Within a group structure, the substantive CSR actions of one affiliate may bolster intangible resources like reputation (Barnett & King, 2018; Chang & Hong, 2000; Kostova & Zaheer, 1999) that are shared with other BG members (O’Shaughnessy et al., 2007). Nonetheless, the BG structure may also inadvertently facilitate decoupling for some affiliates. More specifically, we propose that relationships within a BG create a scenario in which apex firms may depend on the substantive CSR actions of non-apex firms. As such, apex firms may engage in symbolic CSR without corresponding substantive actions. Importantly, given the control and coordination functions of apex firms within the group, this disparity between CSR symbolism and substance could be viewed as legitimate in the eyes of stakeholders, potentially mitigating the risk of perceived greenwashing. This leads us to our research question: *Does decoupling across firms emerge in the context of BGs and if so, what are the potential performance implications?*

To address this question, we theorize about and empirically examine differentials in substantive and symbolic CSR actions within BGs, specifically between apex and non-apex firms. Consistent with the idea that symbolic CSR is targeted toward meeting legitimacy requirements based on societal norms, we hypothesize that both apex and non-apex affiliates will engage in similar levels of symbolic CSR. However, we expect that the former will engage in less *substantive* CSR than the latter. We attribute this to the presence of an “identity domain” (Dau et al., 2015) whereby apex firms perceive organizational boundaries as encompassing non-apex firms (Granovetter, 1995, 2005; Khanna & Rivkin, 2006), and therefore, they view reporting on the substantive activities of non-apex affiliates as a legitimate behavior. To further substantiate our theoretical mechanisms, we examine two dyadic characteristics that moderate the strength of apex firms’ identity domain: (1) equity relationships, that is, level of equity ownership; and (2) social relationships, that is, umbrella branding, defined as a shared group name between apex and non-apex firms (Ingram, 1996; Lamin, 2013). We theorize that these two characteristics are likely to further facilitate the emergence and extent of CSR decoupling across firms.

To test our theory, we draw upon a panel dataset consisting of 3004 firm-year observations from 515 listed firms affiliated with BGs in 35 countries between 2004 and 2016. We find that apex firms engage in similar levels of symbolic CSR relative to non-apex firms but engage in fewer substantive CSR activities. While the level of equity ownership does not have a

statistically significant effect, we do find that social relationships in the form of umbrella branding do: apex firms that extend an umbrella brand over non-apex firms have similar levels of symbolic CSR but lower levels of substantive CSR relative to apex firms that do not extend such an umbrella brand. Finally, we explore the financial implications of decoupling: we find a positive market valuation of this type of decoupling for apex relative to non-apex firms, a finding that is consistent with our argument that decoupling for apex firms is more likely to be seen as legitimate and therefore accompanied by a lower risk of being perceived as greenwashing. We demonstrate the robustness of our findings by conducting various additional tests, including examining differences in economic activities between apex and non-apex firms, controlling for other BG characteristics, assessing the materiality of substantive CSR activities, and employing alternative measures of equity relationships, specifically the control-cash wedge of the ultimate controlling shareholders.

Through our paper, we seek to cross-fertilize the literatures on CSR decoupling and BGs (Ararat et al., 2018). In terms of CSR decoupling, we offer a novel theoretical contribution that identifies the role of interfirm affiliation, specifically within BGs, in enabling decoupling to occur *across* firms. We show that when affiliates share common resources, an apex firm's identity domain within a BG facilitates and potentially legitimizes decoupling and is thus associated with differential performance implications. Furthermore, we identify characteristics of apex firms (equity ownership and umbrella branding) that impact the strength of their identity domain, thus further increasing the incidence of decoupling. As a result, our study offers valuable insights into the antecedents and implications of CSR decoupling, highlighting important structural conditions that both facilitate its emergence and ameliorate its impact.

In terms of the literature on BGs, our study offers new insights about which activities may enhance intangible resources of the overall group (Gao et al., 2017). We show that CSR offers a unique context to theorize about and empirically explore the distribution of symbolic vs. substantive activities within a BG, especially because CSR typically encompasses salient communication activities targeted at signaling compliance with institutional norms and gaining legitimacy (Matten & Moon, 2008). By examining whether symbolic CSR is decoupled from substantive CSR within BGs, we can better understand differentials in terms of which affiliates invest in—and which affiliates may benefit from—shared resources within a group. Accordingly, our study emphasizes the importance of examining the unique characteristics of BGs to better understand heterogeneity among affiliates in terms of enhancing shared resources that benefit all BG members (Chang & Hong, 2000).

2 | THEORETICAL FRAMEWORK

2.1 | CSR decoupling and the risk of perceived greenwashing

A major premise of neo-institutional theory is that organizations adopt policies not only to improve efficiency but also to conform to external norms and expectations, thereby gaining approval or avoiding disapproval from key resource-granting stakeholders (Meyer & Rowan, 1977). For example, firms adopt stock repurchase programs (Westphal & Zajac, 2001), international accountability standards (Behnam & MacLean, 2011), and ISO certifications (Aravind & Christmann, 2011) to conform with stakeholder expectations and broader institutional norms around what is considered “best practice.” Full implementation of these policies, however, involves significant investment and the transformation of the structure, systems,

practices, and even values of an organization (Bansal & Kistruck, 2006; Hawn & Ioannou, 2016). Instead, organizations may choose to adopt a façade of acquiescence to those norms and expectations while internal activities remain predominantly unchanged (Meyer & Rowan, 1977; Westphal & Zajac, 2001). These symbolic actions signal conformity but may become divergent from substantive actions within the organization, a behavior more commonly known as “decoupling” (Bromley & Powell, 2012).

In recent years, decoupling has been most commonly used in the context of CSR (Crilly et al., 2012, 2016; Graafland & Smid, 2019; Luo et al., 2017; Tashman et al., 2019) to describe how firms engage in symbolic actions—such as reporting and disclosure activities—to signal conformity to institutional norms and expectations around environmental and social responsibility. Such compliance, however, often takes the form of artificial communication gestures on CSR meant to appease external audiences while carrying on with “business as usual” (Cho et al., 2012; Roulet & Touboul, 2015). If stakeholders discover that the firm does not engage in corresponding substantive actions, however, these symbolic actions can be perceived as “greenwashing” (Delmas & Burbano, 2011; Hawn & Ioannou, 2016; Walker & Wan, 2012). In other words, CSR decoupling is the underlying mechanism that characterizes how and why stakeholder perceptions of greenwashing are formed.

2.2 | The performance implications of CSR decoupling: The role of intangible resources

The prevalence of CSR decoupling in recent years (Delmas & Burbano, 2011) has led to a growing body of research documenting the negative performance implications for firms that are perceived to be greenwashing (e.g., Cho et al., 2012; Hawn & Ioannou, 2016; Ioannou et al., 2022; Walker & Wan, 2012; Wu & Shen, 2013). These negative impacts are often linked to the effect of perceived greenwashing on those intangible resources that are core to a firm's strategic advantage (Hall, 1992). For example, greenwashing is perceived as “hypocrisy” that generates reputational damage (Cho et al., 2015; Graafland & Smid, 2019), erodes trust among key stakeholders (Barnett, 2007), negatively impacts customer satisfaction (Ioannou et al., 2022) and undermines organizational culture (Siano et al., 2017).

Relatedly, firms that decouple CSR symbolism from substance do not fully benefit from the *positive* effects that substantive CSR has on intangible resources (Surroca et al., 2010). Even though developing novel capabilities and expertise is costly (Bansal & Kistruck, 2006), CSR investments build and strengthen relationships with a variety of stakeholders including customers, employees, suppliers, and communities (Freeman et al., 2010; Hillman & Keim, 2001). This leads to higher trust with consumers, improved reputation, better-qualified job applicants and superior human capital, increased employee motivation and retention, and enhanced organizational culture (Ghoul et al., 2016; Godfrey, 2005; Surroca et al., 2010).

However, this literature has mainly examined how CSR decoupling occurs *within* firms, without considering potential situations of decoupling *across* firms. This omission is significant because the risk of perceived greenwashing differs materially for affiliated firms compared to standalone firms. In so doing, certain firms could maintain the legitimacy benefits of decoupling while mitigating the risks and negative impacts of perceived greenwashing. To investigate this possibility, we propose examining CSR decoupling and perceived greenwashing in BGs, a setting where multiple firms are affiliated with one another and share intangible resources.

2.3 | Shared intangible resources in BGs

Despite being highly diverse in terms of structure (Granovetter, 1995, 2005), BGs are defined by two main characteristics: (1) affiliate firms are bound together through economic ownership and social relationships; (2) a central entity, referred to as an “apex” firm (Dau et al., 2021; Morck et al., 2005), undertakes control and coordination activities (Yiu et al., 2007). This organizational structure enables affiliates to access shared resources (Chang, 2003; Tan & Meyer, 2010) including intragroup trading arrangements (Chang & Hong, 2000), internal capital markets (Belenzon et al., 2013), and importantly, intangible resources such as knowledge/information (Lamin, 2013) and reputation (Gao et al., 2017; Khanna & Yafeh, 2007; Morck & Nakamura, 2005). The social capital generated by the actions of one affiliate contributes to the collective reputation of the BG, functioning as a group-wide resource that in turn helps affiliates “reduc[e] costs of dealing with various stakeholders—customers, suppliers, alliance partners, employees, and providers of capital” (Chittoor et al., 2015: 1282).

However, while the advantages of shared resources may be evenly distributed within the group, the costs are not. Existing literature in corporate governance reveals that non-apex firms disproportionately invest in shared intangible resources compared to apex firms. For example, Djankov et al. (2003) describe cases of family-owned media conglomerates in Argentina, Singapore, and Norway, where a select few (non-apex) firms bear the cost of reputation-enhancing strategies that ultimately benefit the entire group. Meanwhile, Faccio (2006), Yadav (2011), and Dieleman and Sachs (2008) emphasize how non-apex firms invest in political connections that strengthen the social capital and networks of the entire group, including controlling interests. As a result, apex firms are likely to benefit from the investments in intangible resources made by non-apex affiliates, especially if such resources are non-rivalrous (e.g., reputation, or knowledge).

We argue that analogous processes occur with regard to CSR investments. Since substantive CSR enhances intangible resources (Surroca et al., 2010) that are shared among affiliates (Chang & Hong, 2000), a group structure may enable apex firms to benefit from the CSR investments made by non-apex firms without making proportional contributions. However, unlike other intangible-enhancing investments such as R&D and advertising expenditure (Chang & Hong, 2000), the exploration of the CSR context is particularly valuable for understanding the distribution of symbolic and substantive activities within a BG. More specifically, substantive CSR helps identify which affiliates invest more in shared resources, while symbolic CSR reveals how the benefits are distributed in the group. To theorize about such intra-group differences, we build on a theory about identity domains within BGs (Dau et al., 2015).

2.4 | The identity domain of apex firms

A distinct feature of many BGs worldwide is that controlling interests within the group possess an extended sense of identity that encompasses other affiliates (Granovetter, 1995, 2005; Khanna & Palepu, 1997; Khanna & Rivkin, 2006). This “identity domain” (Dau et al., 2015; Livengood & Reger, 2010) implies that apex firms may not perceive other affiliates as separate organizations but rather as part of the same organization. Indeed, prior research demonstrates how group identity can often be characterized less aptly as a collectively emergent phenomenon, but more so as an *extension* of an apex firm’s identity to all other affiliates that occurs

because of group evolution—that is, a historical process through which the BG develops from one firm (i.e., typically the apex firm) into a group (Granovetter, 1995, 2005; Khanna & Rivkin, 2006; Morck & Nakamura, 2005).

Relatedly, the BG literature often refers to apex firms as “core” affiliates since they occupy a central position within a network, thereby granting them an advantage in accessing resources and information compared to “peripheral” affiliates (i.e., non-apex firms) (Mahmood et al., 2017). This centrality of apex firms implies that they will be better connected than non-apex firms, and as a result, their identity domain has a higher level of influence over non-apex firms, even if they do not exercise formal control. Therefore, non-apex firms are more likely to adopt the apex firm’s identity rather than establishing their own identity or collectively developing it with others.

We posit that the identity domain is a crucial mechanism explaining why apex firms are more likely to report on the substantive activities of non-apex firms, in the sense that they perceive no boundary between themselves and these other affiliates (Granovetter, 1995, 2005; Khanna & Palepu, 1997; Khanna & Rivkin, 2006). Symbolic CSR is particularly useful for detecting the presence of an identity domain, an example of which is the Indonesian BG Lippo Karawaci: the apex firm Lippo notes in a 2015 annual report that “*through* [emphasis added] their subsidiary PT Siloam Hospitals, [they] conducted CSR activities on a regular basis to give more people access to healthcare regardless of their economic background.”¹ Here, the apex firm is engaging in symbolic CSR, reporting on the substantive CSR activities of another affiliate. Online Appendix OA1 offers additional examples of how an identity domain is visible through symbolic CSR.

In this context, we hypothesize a novel form of decoupling within BGs that tends to favor apex firms. Specifically, common intangible resources within the group are primarily developed by non-apex firms; apex firms, meanwhile, engage in reporting on those activities and consider it appropriate to do so due to an extended identity domain. We note though that this behavior is facilitated by the BG’s organizational structure and characteristics and, as with other instances of decoupling, may not necessarily be intentional (Bromley & Powell, 2012; Crilly et al., 2012). This is also because in the context of BGs, investments in intangible resources by a non-apex firm benefit the investing firm while also contributing to the shared resource base of the entire group. Accordingly, we expect that both apex and non-apex firms will engage in similar levels of symbolic CSR to meet external stakeholder expectations, but that apex firms will engage in *less* substantive CSR owing to their extended identity domain. Our first hypothesis is as follows:

Hypothesis 1. Apex firms are more likely to engage in similar levels of symbolic CSR but lower levels of substantive CSR relative to non-apex firms.

2.5 | Moderators of the strength of the apex firm’s identity domain

Although we argue that BGs, by default, feature an extended identity domain, we further argue that two key characteristics affect the strength of this identity domain. Specifically, building upon the definition of BG affiliates being bound together through formal equity relationships complemented by social relationships (Chittoor et al., 2015; Khanna & Rivkin, 2006), we

¹[https://www.lippokarawaci.co.id/uploads/file/LIPPO%20KARAWACI%20AR%202015%20ENG\(1\).pdf](https://www.lippokarawaci.co.id/uploads/file/LIPPO%20KARAWACI%20AR%202015%20ENG(1).pdf)

examine equity ownership and umbrella branding as two moderators that reveal the strength of the identity domain and thus, the extent to which the apex firm perceives its organizational identity boundaries as encompassing non-apex firms.

2.5.1 | Equity relationships

The BG literature has hinted at how apex firms' organizational boundaries may be influenced by their equity relationships over non-apex firms. For example, in line with our identity domain argument, Khanna and Rivkin (2006) discuss how affiliates that share the same owner within a BG are more likely to converge upon a common identity. Similarly, Drori et al. (2013) and Hogg and Terry (2000) emphasize how equity ownership between two firms, typically established through merger and acquisition activity, can lead to permeable identity boundaries. Building on these insights, we propose that when the apex firm of a BG has stronger equity ownership over a non-apex firm, the organizational identity boundaries of the former are more likely to extend and encompass the latter. In this context, we argue that apex firms are more likely to perceive benefiting from the substantive (i.e., intangible resource-enhancing) CSR investments made by these non-apex affiliates as appropriate and legitimate behavior.

Conversely, a lower level of equity ownership by apex firms indicates the presence and involvement of minority shareholders in the ownership and governance of non-apex affiliates. Such "outsiders" can promote identity differentiation (Santos & Eisenhardt, 2005), making apex firms less likely to perceive non-apex affiliates as part of their organizational identity boundaries. As a result, the propensity of apex firms to report on the substantive CSR actions of non-apex firms diminishes. In line with meeting legitimacy requirements from external stakeholders, however, symbolic CSR remains unchanged. Based on this reasoning, we propose the following hypothesis:

Hypothesis 2. Apex firms with a higher level of equity ownership over non-apex firms will exhibit similar levels of symbolic CSR but lower levels of substantive CSR compared to apex firms with a lower level of equity ownership over non-apex firms.

2.5.2 | Social relationships

The second moderator focuses on social relationships between apex and non-apex firms. More specifically, we examine "umbrella branding" (Montgomery & Wernerfelt, 1992)—whereby an apex firm extends its name or a recognizable derivative thereof to non-apex firms (Ingram, 1996: 199)—as an indicator of the strength of an apex firm's identity domain. Umbrella branding is a prevalent characteristic observed in many prominent BGs, such as Samsung in Korea, Sabancı Holding in Turkey or the Godrej, Tata, and Aditya Birla Groups in India (Gao et al., 2017; Khanna & Palepu, 1997; Khanna & Yafeh, 2007). Given that the BG literature identifies reputation as one of the most valuable shared resources within a BG, a common name signals that controlling interests trust in an affiliate to maintain the group's reputation and avoid engaging in malfeasance that could jeopardize stakeholders' favorable assessments of the BG (Belenzon et al., 2017; Khanna & Palepu, 1997). This extension of an umbrella brand also signals to external stakeholders that non-apex firms are reputable (Ingram, 1996).

Beyond this, an umbrella brand also signals other aspects of the group, particularly with respect to identity. Given that a shared name often reflects the presence of kinship and ethnic

relationships stemming from controlling interests (Granovetter, 1995, 2005; Khanna & Rivkin, 2006), we propose that an umbrella brand signifies the presence of a strong extended identity domain, such that an apex firm perceives its organizational boundaries as encompassing non-apex firms. As with equity relationships, this extension of identity from the apex firm to the group further enables apex firms to potentially benefit from substantive CSR activities undertaken by non-apex firms. Consequently, we anticipate that an umbrella brand will further widen the disparity such that apex firms that extend an umbrella branding over their non-apex affiliates are likely to engage in similar levels of symbolic CSR but will likely engage in lower levels of substantive CSR relative to apex firms that do not extend such an umbrella branding over their non-apex affiliates. Based on these arguments, we, therefore, posit the following hypothesis:

Hypothesis 3. Apex firms that extend an umbrella branding over non-apex firms will have similar levels of symbolic CSR but lower levels of substantive CSR relative to apex firms that do not extend such an umbrella branding over non-apex firms.

2.6 | Market value implications

Hawn and Ioannou (2016) demonstrate that firms perceived to be greenwashing, that is, engaging in symbolic CSR disclosures without taking substantive actions, are seen as illegitimate, and often penalized by the market due to their perceived insincerity. However, we propose that the unique structure of BG may provide a (partial) buffer for apex firms against the risk of being perceived as greenwashers when they engage in decoupling. Specifically, we argue that the control and coordination functions of apex firms (Dau et al., 2021; Yiu et al., 2007) and, importantly, their ability to extend an identity domain over non-apex firms, may legitimize the act of symbolically reporting on the substantive CSR actions of non-apex firms. In this context, the group structure may foster a perception among market actors that this type of CSR decoupling across apex and non-apex firms is an acceptable and legitimate practice.

Furthermore, apex firms are often perceived to be the drivers of the group's overall social responsibility initiatives, which could reinforce the perception that they are legitimately conforming to demands and expectations of social responsibility (Durand et al., 2019; Ioannou & Serafeim, 2015; Matten & Moon, 2008). Consequently, because of the group structure and the shared resources, apex firms may be able to achieve a positive reputational outcome without a proportional expenditure of resources, leading to a perception of efficiency by market actors. This perception could ultimately result in a higher market valuation for apex firms compared to non-apex firms. We, therefore, hypothesize that:

Hypothesis 4. CSR Decoupling for apex firms is associated with a less negative (and potentially positive) market valuation relative to non-apex firms.

3 | SAMPLE AND RESEARCH METHODOLOGY

3.1 | Sample construction

We begin our sample construction process by identifying all firms in the world affiliated with BGs. To do so, following the approach of Masulis et al. (2011) and Cucculelli and Marchionne

(2012), we first classified firms as either controlled (closely held) or independent (widely held). Subsequently, we identified the controlling shareholder (i.e., the ultimate owner) of each firm. We searched the Bureau van Dijk (BvD) Orbis database for all active firms—listed and non-listed—worldwide with an available BvD independence indicator regarding ownership structures (i.e., the degree of firm independence based on its ownership/shareholder concentration).² Furthermore, we searched for controlling firms in our initial sample based on the ultimate owner being (1) independent and (2) owning at least 25% of the controlling rights of the BG-affiliated firms. In case one of the two conditions was not met, we continued the search until we could identify the ultimate owner complying with our restrictions. For firms identified as affiliates of BGs, we searched for additional information about the type of controlling shareholders and the hierarchical level of each firm within the BG. We used a maximum of 10 levels in a BG, using data on “the controlling shareholder level” (to count levels above each affiliate) and data on “the maximum level of subsidiaries” (to count levels below each affiliate) from BvD Orbis.

Following our initial sample selection process, we identified the publicly listed BG affiliates. Listed firms are well-suited for our research design not only because of our emphasis on market-based outcomes (Tobin's Q) (Kang et al., 2017), but also because of their relative comparability in terms of stock market listing requirements, financial reporting regulations, and mandatory external auditing. Our selection procedure ultimately generated 21,553 BG-affiliated publicly listed firms. We excluded firms with missing information regarding international firm identifiers, controlling shareholder name, controlling shareholder level (distance between the company and controlling shareholder), subsidiary name, and subsidiary level. Our resulting sample consisted of 9798 BG-affiliated publicly listed firms with available BG-specific identifiers available in the BvD Orbis database.

Our BG sample was subsequently limited by the availability of specific CSR data in the Refinitiv ASSET4 database, from which we downloaded CSR data for the years 2004–2016 for all BG-affiliated firms identified in the previous step ($N = 8544$ firm-years from 1258 firms). Our sample was further restricted by firm-specific variables from Datastream and Worldscope databases, and country-specific variables from the World Economic Forum Competitiveness Report, World Bank's Worldwide Governance Indicators (see Kaufmann et al., 2009), and World Federation of Exchanges (see Botero et al., 2004; Hofstede, 2001; La Porta et al., 2006). Moreover, we eliminated 2105 firm-year observations with missing BG characteristics (e.g., diversification and the number of companies in the group), 3066 firm-year observations with missing lagged data for firm-specific variables, Tobin's Q, and other accounting data, as well as 369 firm-year observations with missing country-specific variables. The resulting final sample comprises 3004 firm-year observations from 515 listed firms in 35 countries, between 2004 and 2016. Online Appendix OA2 presents further sample selection details.

²BVD independence indicator can take the value of “A,” “B,” “C,” “D,” and “U.” “A” represents “independent firms” with known shareholders and not more than 25% direct or indirect ownership. “B” refers to firms with shareholders holding an ownership percentage above 25%, but limited to 50%. “C” and “D” are given for a firm if it has an ultimate owner with, respective, a total ownership of over 50%, and a direct ownership of over 50%. All other firms, with an unknown degree of independence receive the indicator “U.” Our sample includes only the firms with a BVD independence indicator of “B,” “C,” “D,” and “U.”

3.2 | Dependent variables

To test our hypotheses, we use three dependent variables: *Substantive_CSR*, *Symbolic_CSR*, and *Tobins_Q*. *Substantive_CSR* captures the substantive actions related to socially responsible corporate policies and programs such as the use of renewable energy and investment in employee training and career development. In contrast, *Symbolic_CSR* captures any reporting, claims, or disclosures about CSR, including best practices, for example, Global Reporting Initiative (GRI) guidelines. The *Substantive_CSR* and *Symbolic_CSR* indices are based on validated scales by Hawn and Ioannou (2016) and comprise 21 and 24 performance measures, respectively, from the ASSET4 database (Online Appendix OA3). The internal consistency and reliability of these measures have been confirmed in a recent study by Surroca et al. (2020), where they estimated a Cronbach's alpha of 83.04 for substantive and 88.04 for symbolic CSR. Conceptually, the construction of these indices is grounded in the well-established theoretical logic of CSR decoupling defined and measured as the gap between a firm's CSR performance and CSR reporting by Tashman et al. (2019). Similarly, Gull et al. (2022) use this exact conceptualization to examine the effect of the governance committee on CSR decoupling.

Accordingly, we first normalized each of these performance measures and subsequently constructed *Substantive_CSR* and *Symbolic_CSR* indices, as the equal-weighted average of the performance measures. Finally, to scale *Substantive_CSR* and *Symbolic_CSR*, we divided both indices by the natural logarithm of total assets and normalized them. The resulting indices, *Substantive_CSR* and *Symbolic_CSR*, are computed annually at the firm level and range from 0 to 1. Finally, to test Hypothesis 4, we used *TobinsQ* as an outcome variable, which is calculated as the ratio of the sum of market capitalization and total liabilities to total assets, for each firm in each year in our sample (Hawn & Ioannou, 2016).

3.3 | Independent variables

We constructed our main variable of interest, *Apex_firm*, by using the ultimate controlling shareholders information available in the BvD Orbis database for all BG-affiliated firms (listed and non-listed). Specifically, we manually identified a unique apex firm for each BG, which is the top corporate owner within the group. Our approach involved first identifying the ultimate controlling shareholders within each BG and then manually verifying if these ultimate owners were corporations, governments, individuals, or families. Whenever the ultimate owner was a corporation, we identified it as an apex firm. In contrast, when the ultimate owner was a government, individual, or family, we automatically selected the corporate subsidiary following immediately down the ownership hierarchy to pinpoint the top corporate owner within each BG. Further, any corporations that were placed lower in the chain of ownership were coded as non-apex firms. Accordingly, *Apex_firm* is an indicator variable that takes the value of 1 if the firm is the top corporate owner within the BG, and 0 otherwise.

To capture the equity relationship between apex and non-apex firms, we computed equity ownership as the extent of control rights, using two different sources of information in the BvD Orbis database. First, we determined the total equity ownership of each apex firm using the total (direct and indirect) ultimate shareholding percentage of the apex firm over its subsidiaries, representing all listed and non-listed non-apex firms within the BG. Whenever the total shareholding in subsidiaries was missing, we only considered direct shareholding over the subsidiaries. Second, for non-apex firms, we used the reverse logic: we identified the total (direct

and indirect) ownership percentage of their ultimate controlling shareholder. Whenever it was missing, we replaced the missing value with the direct controlling shareholding. The ultimate owner is defined as the individual, family, or corporation at the top of the BG which directly or indirectly holds at least 50% of the non-apex affiliate and is itself not owned by any other entity. Accordingly, to capture the level of the equity relationship, we created the variable *Equity Ownership%* which is the natural logarithm of the total (direct and indirect) ultimate ownership percentage of the apex firm over its subsidiaries and the total (direct and indirect) ownership percentage of the ultimate controlling shareholder of the non-apex firms.

The variable that captures umbrella branding is defined and manually coded at the apex-non-apex pair level, allowing us to examine directly whether an apex firm may benefit from a specific non-apex firm that bears the same name. Specifically, to construct *Umbrella_Branding*, first, we used the BvD Orbis database to identify the names of the ultimate controlling shareholders within each BG. Then, we manually checked whether these ultimate owners were corporations, governments, families, or individuals. In the case of governments, we selected the name of the corporate subsidiary immediately following in the ownership hierarchy. Subsequently, we compared the names of the individual, family, or corporate controlling shareholders with each of the names of the non-apex BG affiliates in our sample.³ We coded the variable “umbrella branding” at the apex-non-apex pair level as 1 whenever there was an identifiable overlap between the names, which served as a signal of a strengthened social relationship. To ensure consistency, two members from our team manually and independently coded all observations.

Lastly, we define *decoupling* as the absolute value of the difference between *Symbolic_CSR* and lagged *Substantive_CSR*. Empirically, the difference may be either positive or negative. We used this variable test to replicate the results of Hawn and Ioannou (2016). Since a firm would naturally report on its CSR investment with a 1-year lag, we consider the lag in the construction of this variable, and it therefore ultimately captures the magnitude of the gap between the level of current-year firm disclosures regarding CSR and the actual CSR investments made in the previous year.

3.4 | Control variables

We included an extensive set of control variables in our models, to account for firms' structure and characteristics, as well as country-level differences. We first considered the impact of firm-level characteristics on substantive and symbolic CSR actions and accordingly included *Loss*, *Return on Assets (ROA)*, *Firm Size*, and *Leverage*, to capture the influence of firms' financial performance. In line with previous studies, we expect that larger firms, with higher performance and lower leverage, will engage in more CSR (Ioannou & Serafeim, 2012; Jo & Harjoto, 2011) and accordingly, we control for firm size in our main analyses (Kang, 2013). Moreover, we used *Market-to-book value*, *Analyst_Following*, and *Cross_Listing* given that visibility and market value are two important factors driving firms' attention to CSR (Ioannou & Serafeim, 2012; Jo & Harjoto, 2011; Lang et al., 2003). Since firms' ownership structure and diversity of operations affect overall strategic decision-making (Rees & Rodionova, 2014), we added *Closely-held shares*

³We also performed an alternative coding, where we not only considered the names of the corporate owners but also the ones of the individuals or families with controlling shareholdings. The results of our empirical tests are similar when using this approach.

and *Diversification* as controls. Finally, financial reporting rules and principles, and assurance of financial and non-financial information in annual reports, provide signals regarding firms' disclosure practices. We, therefore, add *CSR_Audit*, *Accounting_practice*, and *ADR* as controls.

In addition, given significant differences across countries regarding internal and external pressures on firms to engage in CSR activities (Aguilera et al., 2007), we included country-level characteristics in our models. Specifically, following Khanna and Yafeh (2007) and Ioannou and Serafeim (2012), we control for the influence of political, educational, labor, financial, economic, and cultural institutions on firms' substantive and symbolic CSR. We thus include the following variables in all models: Competition, Anti-self-dealing index, Control of corruption, Left/center ideology, Union density, Labor market efficiency, Country debt over assets, Power distance index, Individualism, Quality of infrastructure, Balance of trade, and Market size. See Appendix 1 for detailed definitions of all variables used in our analyses.

Finally, in line with Hawn and Ioannou (2016), we include *R&D intensity* and *SG&A intensity* in our market valuation analyses to control for the extent of intangible assets, *Industry Concentration* to control for industry-level variations in competitiveness, and *Sales* and *Sales growth* to control for the sustainability of firms' operations as main drivers of performance. The full list of variable definitions, measures, and data sources is presented in Online Appendix OA4.

3.5 | Methodology

To test our hypotheses, we employed an ordinary least squares methodology with standard errors clustered by controlling shareholders to correct for unobserved within-BG correlations. Given that we use panel data with firm-year observations that contain cross-sectional observations across time, we further added industry, year, and listed stock exchange indicators in all our models. We do so because our dependent variables (*Substantive_CSR* and *Symbolic_CSR*) are associated with certain country and firm-specific characteristics. Moreover, for the market valuation analysis, we use robust standard errors clustered by company and in addition to industry and year indicators, we use country and controlling shareholders' indicators to capture the potential impact of country and BG fixed effects, respectively.

4 | RESULTS

4.1 | Descriptive statistics

We present summary statistics on our sample in Table 1. We split observations from the full sample ($N = 3004$) as pertaining to apex ($N = 914$) and non-apex firms ($N = 2090$). We then compare the differences between these samples by means of univariate test statistics for mean differences in all our variables. We find that *Substantive_CSR* is significantly different between the apex and non-apex samples while the difference for *Symbolic_CSR* is insignificant. Regarding *Tobin's Q*, we find a marginally significant difference in mean values between the apex and non-apex samples.

We also analyzed the differences between the apex and non-apex samples with respect to our country and firm-specific controls. The univariate tests show that most variables are statistically different between the apex and non-apex samples. Furthermore, to detect potential

TABLE 1 Summary statistics.

Variable	Full sample (N = 3004)				Apex firms (N = 914)		Non-apex firms (N = 2090)		Univariate test Ha: A ≠ B	
	Mean	Std. dev.	Min.	Max.	(A)	Std. dev.	(B)	Std. dev.	(A-B)	p-values
<i>Substantive_CSR</i>	0.030	0.007	0.009	0.053	0.030	0.007	0.031	0.008	-0.001	.000
<i>Symbolic_CSR</i>	0.020	0.011	0.003	0.046	0.020	0.011	0.020	0.010	0.000	.871
<i>Tobins_Q</i>	0.344	0.487	-0.472	1.946	0.321	0.468	0.354	0.494	-0.033	.080
<i>Apex_Firms</i>	0.304	0.460	0.000	1.000	-	-	-	-	-	-
<i>Decoupling</i>	0.013	0.008	0.000	0.047	0.013	0.008	0.013	0.008	0.000	.688
<i>Umbrella_Branding</i>	0.270	0.444	0.000	1.000	0.317	0.466	0.249	0.433	0.068	.000
<i>Equity_Ownership%</i>	4.398	0.305	3.912	4.605	4.226	0.345	4.473	0.251	-0.246	.000
<i>Loss</i>	0.087	0.282	0.000	1.000	0.093	0.291	0.084	0.278	0.009	.440
<i>ROA</i>	6.154	7.150	-19.330	32.640	5.852	6.933	6.285	7.240	-0.433	.122
<i>Firm size</i>	15.995	1.389	12.656	20.012	16.181	1.586	15.914	1.286	0.267	.000
<i>Leverage</i>	26.658	16.963	0.000	74.340	26.499	16.421	26.728	17.199	-0.229	.728
<i>Market-to-book value</i>	2.639	3.094	-0.450	21.660	2.523	3.142	2.690	3.072	-0.167	.179
<i>Closely-held shares</i>	45.793	23.525	0.040	90.300	44.537	21.487	46.342	24.348	-1.805	.042
<i>Diversification</i>	40.277	26.224	3.000	80.000	31.155	24.430	44.266	25.990	-13.111	.000
<i>CSR audit</i>	3.862	1.156	1.000	6.000	3.876	1.156	3.855	1.157	0.021	.642
<i>Accounting_practice</i>	1.202	0.401	1.000	2.000	1.286	0.452	1.165	0.371	0.121	.000
<i>Cross_Listing</i>	0.847	0.360	0.000	1.000	0.879	0.327	0.833	0.373	0.046	.001
<i>ADR</i>	0.286	0.452	0.000	1.000	0.199	0.400	0.323	0.468	-0.124	.000
<i>Analyst_Following</i>	0.459	0.953	0.000	3.555	0.656	1.135	0.372	0.847	0.284	.000
<i>R&D intensity</i>	4.359	5.543	0.000	16.451	5.037	5.696	4.062	5.450	0.975	.000
<i>SG&A intensity</i>	10.836	5.483	0.000	17.275	10.786	5.739	10.858	5.368	-0.072	.749
<i>Industry Concentration</i>	-1.899	0.766	-3.116	0.000	-1.914	0.769	-1.892	0.765	-0.022	.478
<i>Sales</i>	15.405	1.366	11.972	18.657	15.585	1.484	15.327	1.303	0.258	.000

TABLE 1 (Continued)

Variable	Full sample (N = 3004)			Apex firms (N = 914)		Non-apex firms (N = 2090)		Univariate test Ha: A ≠ B		
	Mean	Std. dev.	Min.	Max.	(A)	Std. dev.	(B)	Std. dev.	(A-B)	p-values
<i>Sales growth</i>	0.019	0.165	-1.627	1.137	0.017	0.166	0.019	0.165	-0.002	.662
<i>Competition</i>	4.938	0.556	3.614	5.971	4.936	0.490	4.939	0.583	-0.003	.862
<i>Anti-self-dealing index</i>	0.598	0.250	0.204	1.000	0.543	0.235	0.621	0.253	-0.078	.000
<i>Control of Corruption</i>	1.230	0.893	-1.042	2.316	1.234	0.852	1.228	0.911	0.006	.866
<i>Left/center ideology</i>	0.442	0.262	0.000	1.000	0.530	0.277	0.403	0.246	0.127	.000
<i>Union density</i>	0.288	0.199	0.030	0.900	0.288	0.210	0.288	0.194	0.000	.975
<i>Labor market efficiency</i>	4.814	0.662	3.477	5.910	4.880	0.672	4.785	0.656	0.095	.000
<i>Country debt over assets</i>	0.252	0.074	0.126	0.433	0.262	0.078	0.248	0.071	0.014	0.000
<i>Power distance index</i>	54.301	19.419	11.000	104.000	51.414	19.312	55.563	19.335	-4.149	.000
<i>Individualism</i>	57.243	26.126	17.000	91.000	63.689	23.719	54.423	26.631	9.266	.000
<i>Quality of Infrastructure</i>	5.477	0.944	3.036	6.730	5.547	0.942	5.447	0.944	0.100	.007
<i>Balance of trade</i>	1.193	6.304	-15.954	21.460	0.691	5.714	1.413	6.535	-0.722	.002
<i>Market size</i>	5.431	0.756	4.095	6.936	5.643	0.843	5.338	0.695	0.305	.000

Note: Unstandardized values are presented. All variables are described in Appendix 1.

TABLE 2 Correlation matrix.

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	[18]	
<i>Substantive_CSR</i>	[1]	1.000																	
<i>Symbolic_CSR</i>	[2]	0.275	1.000																
<i>Tobins_Q</i>	[3]	0.114	0.059	1.000															
<i>Apex_Firms</i>	[4]	-0.069	-0.003	-0.031	1.000														
<i>Decoupling</i>	[5]	0.345	-0.539	-0.021	-0.007	1.000													
<i>Umbrella_Branding</i>	[6]	-0.182	0.039	-0.048	0.070	-0.085	1.000												
<i>Equity_Ownership%</i>	[7]	0.059	0.057	-0.002	-0.373	-0.060	-0.136	1.000											
<i>Loss</i>	[8]	0.056	-0.019	-0.190	0.014	0.100	-0.073	0.063	1.000										
<i>ROA</i>	[9]	0.021	0.059	0.616	-0.028	-0.083	0.006	-0.024	-0.543	1.000									
<i>Firm size</i>	[10]	-0.192	0.023	-0.340	0.089	-0.193	0.117	-0.059	-0.147	-0.147	1.000								
<i>Leverage</i>	[11]	-0.061	-0.025	-0.182	-0.006	-0.010	-0.082	-0.003	0.117	-0.242	0.137	1.000							
<i>Market-to-book value</i>	[12]	0.065	0.037	0.711	-0.025	-0.025	-0.018	-0.020	-0.108	0.436	-0.234	0.001	1.000						
<i>Closely-held shares</i>	[13]	-0.297	0.017	-0.046	-0.035	-0.200	-0.058	-0.068	0.039	0.095	-0.038	-0.049	-0.049	1.000					
<i>Diversification</i>	[14]	-0.040	0.048	-0.205	-0.230	-0.087	0.099	0.061	-0.019	0.343	0.030	-0.139	-0.002	1.000					
<i>CSR audit</i>	[15]	-0.128	-0.085	-0.059	0.008	0.025	0.062	0.061	0.024	-0.030	0.011	0.023	-0.017	-0.005	1.000				
<i>Accounting_practice</i>	[16]	-0.178	-0.130	0.010	0.138	0.030	0.094	-0.111	0.024	-0.068	0.168	0.044	0.027	-0.080	-0.093	0.141	1.000		
<i>Cross_Listing</i>	[17]	0.234	0.006	0.075	0.059	0.127	-0.086	-0.020	-0.006	0.007	-0.086	-0.121	0.046	-0.168	-0.060	-0.089	-0.182	1.000	
<i>ADR</i>	[18]	0.055	0.102	-0.043	-0.127	-0.142	0.029	0.093	-0.059	0.058	0.257	-0.033	-0.039	0.037	0.169	-0.077	-0.151	-0.087	1.000
<i>Analyst_Following</i>	[19]	0.087	-0.041	0.080	0.137	0.082	-0.009	-0.129	0.000	-0.017	0.161	0.026	0.068	-0.228	-0.185	0.019	0.429	0.093	0.016
<i>R&D intensity</i>	[20]	0.032	0.231	0.173	0.081	-0.139	0.134	0.008	-0.034	0.097	0.047	-0.188	0.079	-0.036	0.062	-0.067	0.067	0.013	0.074
<i>SG&A intensity</i>	[21]	-0.041	-0.036	0.078	-0.006	0.036	0.026	0.004	-0.026	0.084	0.012	0.040	0.056	0.032	-0.171	0.015	0.086	-0.036	0.070
<i>Industry concentration</i>	[22]	-0.020	0.007	0.191	-0.013	-0.056	-0.026	0.045	-0.017	0.099	-0.130	-0.157	0.100	-0.077	-0.018	-0.140	-0.069	0.163	-0.102
<i>Sales</i>	[23]	-0.106	0.159	-0.096	0.087	-0.211	0.174	-0.070	-0.175	0.008	0.771	0.014	-0.055	0.087	0.232	-0.041	0.148	-0.070	0.184
<i>Sales growth</i>	[24]	-0.023	-0.104	0.156	-0.008	0.055	0.015	0.011	-0.200	0.253	0.059	-0.038	0.094	-0.008	0.017	0.010	0.036	0.078	-0.003
<i>Competition</i>	[25]	0.096	-0.112	0.000	-0.003	0.112	0.004	0.036	-0.028	0.036	-0.135	-0.143	-0.006	-0.049	-0.101	0.127	-0.124	0.354	-0.046
<i>Anti-self-dealing index</i>	[26]	0.129	-0.149	-0.089	-0.145	0.147	-0.049	0.076	-0.001	0.012	-0.051	-0.037	-0.024	-0.064	0.110	0.158	0.023	0.070	0.014
<i>Control of corruption</i>	[27]	0.175	-0.049	0.092	0.003	0.134	-0.047	0.016	-0.004	0.041	-0.236	-0.184	0.030	-0.209	-0.155	0.005	-0.205	0.542	-0.036
<i>Left-center ideology</i>	[28]	0.104	-0.044	0.124	0.222	0.077	-0.057	-0.057	0.003	0.066	0.057	-0.026	0.123	-0.094	-0.124	-0.019	0.258	0.073	-0.142
<i>Union density</i>	[29]	0.069	0.050	0.077	0.001	-0.036	-0.046	0.133	0.009	0.094	-0.104	0.006	0.019	-0.016	-0.036	-0.047	-0.296	0.110	0.088
<i>Labor market efficiency</i>	[30]	0.104	-0.188	0.053	0.066	0.175	0.019	-0.010	-0.024	0.072	-0.093	-0.143	0.045	-0.096	-0.174	0.188	0.103	0.320	-0.034
<i>Country debt over assets</i>	[31]	0.002	0.012	0.187	0.091	-0.015	-0.082	-0.004	-0.046	0.141	-0.020	0.115	0.128	-0.152	-0.138	-0.079	0.118	0.049	0.019
<i>Power distance index</i>	[32]	-0.221	-0.032	-0.144	-0.098	-0.128	0.102	-0.033	-0.078	-0.017	0.223	0.048	-0.081	0.327	0.220	0.058	0.016	-0.415	0.042

TABLE 2 (Continued)

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	[18]
<i>Individualism</i>	[33]	0.352	0.031	0.194	0.163	0.171	-0.222	-0.072	0.056	0.022	-0.182	0.107	-0.393	-0.176	-0.136	0.015	0.441	-0.140
<i>Quality of Infrastructure</i>	[34]	0.016	-0.076	0.042	0.049	0.069	0.047	-0.033	-0.045	0.025	-0.068	-0.168	-0.001	-0.188	0.087	-0.025	0.376	-0.067
<i>Balance of trade</i>	[35]	-0.011	-0.032	0.034	-0.053	-0.018	0.061	0.036	-0.036	0.070	-0.029	-0.051	0.006	-0.006	0.004	-0.202	-0.058	0.107
<i>Market size</i>	[36]	-0.075	-0.079	0.020	0.185	0.023	0.008	-0.164	0.003	-0.073	0.178	0.039	0.020	-0.084	-0.097	0.026	0.612	-0.187
<i>Analyst_Following</i>	[19]	1.000																
<i>R&D intensity</i>	[20]	0.105	1.000															
<i>SG&A intensity</i>	[21]	0.145	0.221	1.000														
<i>Industry Concentration</i>	[22]	-0.067	0.189	0.007	1.000													
<i>Sales</i>	[23]	0.209	0.214	0.187	0.020	1.000												
<i>Sales growth</i>	[24]	-0.015	0.049	0.048	0.099	0.101	1.000											
<i>Competition</i>	[25]	-0.022	-0.042	-0.001	0.101	-0.206	0.064	1.000										
<i>Anti-self-dealing index</i>	[26]	-0.036	-0.242	-0.128	-0.078	-0.220	0.071	0.631	1.000									
<i>Control of corruption</i>	[27]	0.031	0.083	0.004	0.224	-0.206	0.081	0.735	0.239	1.000								
<i>Left/center ideology</i>	[28]	0.258	0.050	-0.036	0.001	0.139	0.004	-0.232	-0.240	-0.170	1.000							
<i>Union density</i>	[29]	-0.126	0.063	0.152	0.134	0.017	-0.037	-0.032	-0.305	0.197	0.217	1.000						
<i>Labor market efficiency</i>	[30]	0.190	-0.018	0.094	0.070	-0.141	0.120	0.785	0.591	0.633	0.036	-0.053	1.000					
<i>Country debt over assets</i>	[31]	0.252	0.008	0.120	0.091	0.073	-0.006	-0.294	-0.365	-0.076	0.170	0.380	-0.229	1.000				
<i>Power distance index</i>	[32]	-0.210	-0.167	-0.107	-0.194	0.105	-0.029	-0.151	0.212	-0.631	-0.106	-0.366	-0.201	-0.305	1.000			
<i>Individualism</i>	[33]	0.304	0.064	0.009	0.169	-0.079	-0.001	-0.083	-0.206	0.385	0.236	0.172	0.018	0.289	-0.714	1.000		
<i>Quality of Infrastructure</i>	[34]	0.025	0.140	0.094	0.191	-0.051	0.109	0.782	0.246	0.751	-0.240	-0.042	0.652	-0.234	-0.241	0.004	1.000	
<i>Balance of trade</i>	[35]	-0.159	0.090	0.049	0.106	0.006	0.052	0.165	-0.058	0.197	0.022	0.412	0.170	-0.154	-0.006	-0.176	0.166	1.000
<i>Market size</i>	[36]	0.424	0.100	0.101	-0.038	0.202	0.006	-0.383	-0.090	-0.364	0.230	-0.411	-0.110	0.038	0.042	0.268	-0.220	-0.369

multicollinearity in our data, in Table 2 we present Pearson correlations for all our variables. The correlation between any two variables is under 0.75, suggesting a low probability of multicollinearity.

4.2 | Main analysis

In Table 3 we present the empirical results of testing Hypotheses 1–3. According to Hypothesis 1, apex firms will engage in similar levels of *Symbolic_CSR* but lower *Substantive_CSR* relative to non-apex firms. In column (1) we use *Substantive_CSR* as the dependent variable and find that the coefficient on *Apex_Firms* is negative and significant ($\beta = -0.172$, $p = .010$), suggesting that relative to other BG affiliates, apex firms engage in lower substantive CSR activities. In column (2), we use *Symbolic_CSR* as the dependent variable and find that the coefficient on *Apex_Firms* is statistically insignificant, implying that apex firms engage in a similar level of symbolic CSR activities relative to other BG affiliates. In economic terms, apex firms' substantive CSR is 4.5% lower relative to non-apex firms. Overall, the results in Table 3 provide support for the predictions of Hypothesis 1.^{4,5}

To test Hypothesis 2, we assess whether apex firms with a higher level of equity ownership over non-apex firms have similar levels of symbolic CSR and lower levels of substantive CSR relative to apex firms with a lower level of equity ownership. We find that the coefficient on *Apex_Firms x Equity_Ownership%* is insignificant in both columns (3) and (4), suggesting that contrary to our expectations, higher equity ownership of non-apex firms by apex firms has no significant impact on either substantive or symbolic CSR. This finding suggests that equity relationships do not impact apex firms' perception of the identity domain over non-apex firms, and the existence of minority shareholders does not appear to provide a basis for identity differentiation between them.

Columns (5) and (6) present the results pertaining to Hypothesis 3. More specifically, we test if the existence of an umbrella brand between apex and non-apex firms significantly impacts the level of their substantive and symbolic CSR actions. While the coefficient on *Apex_Firms* is insignificant, the coefficient on the interaction term, *Apex_Firms x Umbrella_Branding* is negative and significant ($\beta = -0.258$, $p = .069$) in column (5) and insignificant in column (6). These results suggest that apex firms with umbrella branding over non-apex firms have lower levels of substantive CSR, relative to apex firms without umbrella branding. In economic terms, apex firms with umbrella branding have, on average, a 2.2% lower level of substantive CSR relative to apex firms with no umbrella branding. In Figure 1a, we also show the interaction plot with umbrella branding: We observe that apex firms have relatively lower substantive CSR and that

⁴In additional tests, we control for the impact of firms' corporate governance strength on substantive and symbolic CSR, we use the Corporate Governance pillar (CGVSCOR) from ASSET4, capturing efficient use of firms' resources by board members and executives in the best interest of stakeholders and reflects a firm's ability to direct, monitor and control the overall activities of the management in order to create sustainable shareholder value. Untabulated results show are consistent with the results presented in Table 3.

⁵The legal origin of a country's company affects not only the prevalence of BGs but also the CSR activities of firms, with common law countries having lower total CSR than firms from civil law countries (Liang & Renneboog, 2017). To rule out the possibility of biased results we, first, repeat our analysis after excluding the United States, United Kingdom, Australia, and Canada from our sample. Second, we ran our test by interacting our variable of interest in all our analyses with the "Civil Law" indicator, as identified in La Porta et al. (2006). Untabulated results indicate that our main findings remain unchanged from the legal origin of the countries.

TABLE 3 Main results for Hypotheses 1–3.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR
Apex_Firms	-0.172 (.010)	0.042 (.613)	-0.176 (.010)	0.097 (.292)	-0.102 (.194)	0.098 (.288)	-0.113 (.154)	0.134 (.169)
Equity_Ownership%			-0.060 (.110)	0.045 (.378)			-0.060 (.100)	0.045 (.379)
Apex_Firms x Equity_Ownership%		0.085 (.149)		0.036 (.645)			0.077 (.181)	0.035 (.647)
Umbrella_Branding					0.176 (.029)	0.136 (.214)	0.176 (.027)	0.140 (.203)
Apex_Firms x Umbrella_Branding			-0.021 (.749)	0.048 (.657)	-0.005 (.938)	0.071 (.505)	-0.001 (.988)	0.064 (.550)
Loss	-0.025 (.702)	0.056 (.603)						
ROA	-0.039 (.266)	0.103 (.020)	-0.038 (.278)	0.102 (.022)	-0.031 (.391)	0.109 (.013)	-0.030 (.405)	0.107 (.015)
Firm size	-0.097 (.016)	0.218 (.000)	-0.100 (.013)	0.215 (.000)	-0.089 (.025)	0.223 (.000)	-0.092 (.020)	0.220 (.000)
Leverage	-0.048 (.125)	-0.042 (.343)	-0.049 (.117)	-0.044 (.304)	-0.039 (.219)	-0.035 (.427)	-0.040 (.207)	-0.038 (.373)
Market-to-book value	-1.924 (.708)	18.264 (.006)	-2.010 (.693)	18.554 (.006)	-2.406 (.636)	17.892 (.007)	-2.508 (.619)	18.170 (.006)
Closely-held shares	-0.122 (.000)	-0.037 (.310)	-0.118 (.000)	-0.029 (.445)	-0.125 (.000)	-0.039 (.280)	-0.122 (.000)	-0.032 (.389)
Diversification	0.015 (.671)	0.027 (.489)	0.019 (.586)	0.032 (.415)	0.012 (.730)	0.025 (.514)	0.015 (.660)	0.028 (.467)
CSR audit	-0.073 (.006)	-0.025 (.454)	-0.071 (.009)	-0.029 (.380)	-0.075 (.004)	-0.026 (.432)	-0.073 (.006)	-0.031 (.359)

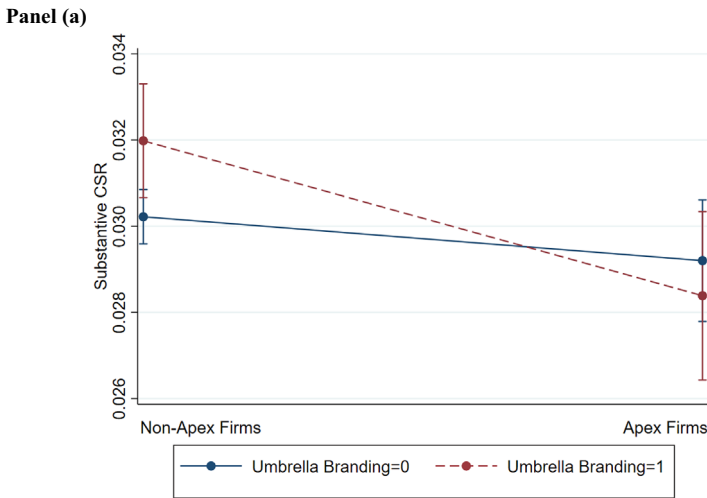
TABLE 3 (Continued)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR
<i>Accounting_practice</i>	-0.047 (.694)	0.099 (.538)	-0.048 (.688)	0.089 (.569)	-0.050 (.669)	0.096 (.544)	-0.050 (.672)	0.089 (.565)
<i>Cross_Listing</i>	0.151 (.377)	0.113 (.577)	0.177 (.304)	0.109 (.597)	0.116 (.507)	0.085 (.661)	0.140 (.423)	0.079 (.690)
<i>ADR</i>	0.227 (.000)	0.166 (.077)	0.228 (.000)	0.158 (.094)	0.228 (.000)	0.167 (.075)	0.229 (.000)	0.156 (.101)
<i>Analyst_Following</i>	0.050 (.095)	0.027 (.429)	0.052 (.081)	0.030 (.379)	0.047 (.122)	0.025 (.471)	0.048 (.111)	0.027 (.441)
<i>Competition</i>	-0.121 (.097)	0.095 (.203)	-0.117 (.109)	0.089 (.235)	-0.127 (.088)	0.091 (.229)	-0.122 (.099)	0.085 (.259)
<i>Anti-self-dealing index</i>	0.300 (.005)	0.310 (.006)	0.306 (.004)	0.311 (.006)	0.335 (.003)	0.337 (.004)	0.340 (.003)	0.337 (.004)
<i>Control_of_Corruption</i>	-0.158 (.192)	0.033 (.738)	-0.147 (.225)	0.034 (.740)	-0.174 (.158)	0.022 (.828)	-0.163 (.185)	0.022 (.828)
<i>Left/center ideology</i>	-0.113 (.581)	0.008 (.947)	-0.105 (.601)	0.011 (.926)	-0.096 (.653)	0.021 (.863)	-0.088 (.674)	0.027 (.824)
<i>Union density</i>	0.420 (.167)	-0.009 (.958)	0.449 (.137)	-0.044 (.807)	0.445 (.159)	0.010 (.952)	0.474 (.131)	-0.027 (.876)
<i>Labor market efficiency</i>	0.201 (.009)	-0.128 (.130)	0.196 (.011)	-0.121 (.157)	0.205 (.009)	-0.125 (.136)	0.199 (.011)	-0.119 (.162)
<i>Country debt over assets</i>	-0.001 (.991)	-0.029 (.665)	-0.003 (.965)	-0.025 (.701)	0.007 (.915)	-0.023 (.733)	0.005 (.945)	-0.020 (.765)
<i>Power distance index</i>	0.352 (.056)	0.025 (.873)	0.360 (.052)	0.034 (.827)	0.360 (.059)	0.031 (.847)	0.366 (.055)	0.039 (.807)
<i>Individualism</i>	0.667 (.000)	-0.104 (.567)	0.667 (.000)	-0.101 (.581)	0.684 (.000)	-0.091 (.618)	0.684 (.000)	-0.087 (.633)

TABLE 3 (Continued)

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR	DV: Substantive_CSR	DV: Symbolic_CSR
Quality of Infrastructure	0.040 (.447)	-0.043 (.504)	0.040 (0.446)	-0.045 (.488)	0.044 (.419)	-0.040 (.537)	0.044 (.417)	-0.042 (.517)
Balance of Trade	-0.024 (.517)	-0.015 (.676)	-0.025 (.499)	-0.014 (.690)	-0.020 (.583)	-0.012 (.736)	-0.022 (.562)	-0.012 (.743)
Market Size	-0.144 (.387)	-0.149 (.211)	-0.129 (.439)	-0.162 (.181)	-0.164 (.336)	-0.164 (.178)	-0.149 (.381)	-0.178 (.150)
Constant	-0.426 (.402)	1.015 (.104)	-0.368 (.473)	0.999 (.107)	-0.415 (.425)	1.024 (.095)	-0.358 (.494)	1.011* (.096)
Observations	3004	3004	3004	3004	3004	3004	3004	3004
R-squared	0.531	0.418	0.532	0.421	0.534	0.420	0.535	0.422
Industry fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Stock Exchange fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Note: All continuous variables are standardized to have a mean of zero and a standard deviation of one. *p*-values are presented in parentheses. All variables are described in Appendix 1.



Panel (b)

	Substantive CSR Delta-method (dy/dx) for Umbrella Branding	Std. Err.	t	P>t	[95% Conf. Interval]	
Apex Firm	-0.001	0.001	-2.490	0.013	-0.002	0.000

FIGURE 1 (a) The moderating effect of umbrella branding on the association between Apex Firm and Substantive CSR (H3). (b) Marginal effects.

a cross-over interaction exists, whereby the mean values of apex firms and non-apex firms cross over each other, conditional on umbrella branding. This explains why the main effect of *Apex_Firms* is insignificant. The estimated marginal effects in Panel B show that the simple slopes for apex firms with or without umbrella branding are significantly different from each other. We also find that the existence of an umbrella brand has an insignificant effect on the association between apex firms and symbolic CSR activities. In columns (7) and (8), we present both moderators in the same model and note that our results remain statistically similar.

Taken together, therefore, these results provide weak support for Hypothesis 3 and suggest that decoupling within BG is more likely to arise when apex and non-apex firms share a brand name. However, the results are marginally significant, implying that umbrella branding only weakly facilitates apex firms' disclosures of substantive CSR actions of non-apex firms.

In Table 4 we present results pertaining to Hypothesis 4. We explore whether firms' valuation by the market is contingent upon the disparity between CSR symbolism and substance (i.e., instances when *Symbolic_CSR* is higher and/or lower than *Substantive_CSR*). This disparity essentially corresponds to the traditional definition of decoupling found in the literature, that is, a gap between symbolism and substance within a single firm. In column (1) the coefficient of *Decoupling* is negative and significant ($\beta = -0.064$, $p = .029$), showing that Tobin's Q is lower for firms with a larger gap between substantive and symbolic CSR, in line with prior findings of Hawn and Ioannou (2016).

In Hypothesis 4, however, we argued that a disparity between CSR symbolism and substance would be associated with a less negative or even positive market valuation for apex firms

TABLE 4 Results for Hypothesis 4.

Variables	(1) DV: Tobin's Q	(2) DV: Tobin's Q
<i>Decoupling</i>	−0.064 (.029)	−0.038 (.311)
<i>Apex_Firms</i>		−0.259 (.063)
<i>Decoupling x Apex_Firms</i>		0.110 (.036)
<i>R&D intensity</i>	0.122 (.007)	0.148 (.008)
<i>SG&A intensity</i>	0.104 (.013)	0.092 (.069)
<i>Diversification</i>	−0.065 (.129)	
<i>Industry concentration</i>	0.114 (.047)	0.099 (.065)
<i>Sales</i>	−0.224 (.000)	−0.230 (.010)
<i>Sales growth</i>	0.687 (.000)	0.355 (.000)
<i>Closely-held shares</i>	0.056 (.055)	−0.018 (.527)
<i>CSR audit</i>	0.018 (.510)	−0.067 (.050)
<i>Accounting practice</i>	0.219 (.129)	−0.205 (.244)
<i>Cross_Listing</i>	0.023 (.865)	0.116 (.544)
<i>ADR</i>	0.067 (.378)	−0.069 (.624)
<i>Analyst_Following</i>	0.056 (.089)	0.029 (.368)
Constant	−0.475 (.149)	1.084 (.197)
Observations	3004	3004
R-squared	0.433	0.772
<i>Controlling Shareholder fixed-effects</i>	No	Yes
<i>Industry fixed-effects</i>	Yes	Yes

TABLE 4 (Continued)

Variables	(1) DV: Tobin's Q	(2) DV: Tobin's Q
Year fixed-effects	Yes	Yes
Country fixed-effects	Yes	Yes

Note: All continuous variables are standardized to have a mean of zero and a standard deviation of one. *p*-values are presented in parentheses. All variables are described in Appendix 1.

relative to non-apex firms. This is because such a gap is likely to be perceived as legitimate by external audiences due to the apex firm's coordination role over non-apex firms. Accordingly, we interact *Decoupling* with *Apex_Firms* to understand the differential impact on Tobin's Q between apex relative to non-apex firms. Column (2) of Table 4 shows that the coefficient on the interaction term is positive and significant ($\beta = 0.110$, $p = .036$). This result is consistent with the idea that market actors are less inclined to perceive decoupling between the substantive and symbolic CSR actions of apex firms as greenwashing. The group structure and shared resources protect, at least partially, apex firms from the risk of a negative impact on performance associated with not directly investing in substantive CSR. In Figure 2, we present the conditional changes in valuation for apex firms relative to non-apex firms. As the interaction plot in Figure 2a, shows a one standard deviation increase in the absolute gap is associated with a 15% increase in Tobin's Q for apex firms and with a 5% decrease in Tobin's Q for non-apex firms. In Figure 2b, the estimated marginal effect of the simple slopes between the apex and non-apex firms significantly differs only at a lower level of decoupling.

4.3 | Robustness tests

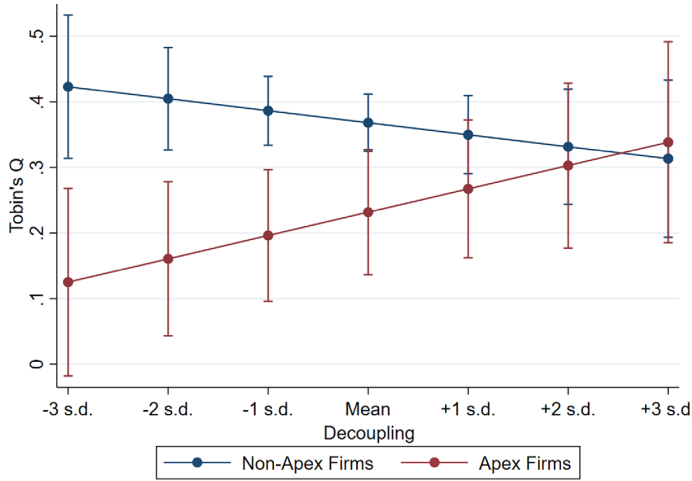
4.3.1 | Does inter-group variation in BG structure affect the extent of substantive and symbolic CSR engagement by apex firms?

Building upon prior work that uses group size, hierarchy, and ultimate ownership type as being major drivers of group variation (Belenzon et al., 2013; Khanna & Yafeh, 2007; Purkayastha et al., 2017; Yiu et al., 2007), we examine whether such characteristics influence apex firms' substantive and symbolic CSR actions. Accordingly, we ran our main models controlling for the following BG characteristics: size, hierarchy, total unrelated and related diversification, and type of ultimate controlling shareholder. Results tabulated (Online Appendix OB1) are statistically similar to those of our main findings in Table 3.

4.3.2 | Propensity score matching and entropy balancing

Given that most of our control variables are significantly different between apex and non-apex firms groups (see univariate tests in Table 1), this may raise concerns as to whether apex companies engage in different economic activities compared to their subsidiaries which, in turn, may affect their *Substantive_CSR* and *Symbolic_CSR* activities. To address this concern, in line

Panel (a)



Panel (b)

Decoupling at	Tobin's Q Delta-method (dy/dx) for Apex versus Non-Apex Firms	Std. Err.	t	P>t	[95% Conf. Interval]	
-3.s.d.	-0.298	0.095	-3.120	0.002	-0.486	-0.111
-2 s.d.	-0.244	0.080	-3.060	0.002	-0.401	-0.088
-1 s.d.	-0.190	0.070	-2.710	0.007	-0.328	-0.052
mean	-0.136	0.069	-1.970	0.049	-0.273	0.000
+1 s.d.	-0.083	0.077	-1.070	0.287	-0.235	0.069
+2 s.d.	-0.029	0.092	-0.310	0.756	-0.210	0.152
+3 s.d.	0.025	0.111	0.230	0.821	-0.193	0.243

FIGURE 2 (a) The moderating effect of Apex firms on the association between Decoupling and Market Valuation (Tobin's Q) (H4). (b) Marginal Effects at ± 3 s.d.

with other BG studies (Belenzon & Berkovitz, 2010; Mahmood et al., 2017), we use the nearest-neighbor logit propensity score matching (PSM) approach introduced by Rosenbaum and Rubin (1983) to match apex and non-apex firms on observable firm characteristics.⁶

We also employed the entropy balancing technique proposed by Hainmueller (2012) as an alternative and additional robustness check. Entropy balancing represents a technique that aims to balance the covariates between the two groups by reweighting observations in the full sample and as such, allowed us to reweight the covariates of our non-apex firms (Control Group) to eliminate the imbalance in firm characteristics of non-apex firms with apex firms (Treatment Group). Online Appendix OB2 shows the descriptives of our sample before and after weighting. As it is presented in panel (b), the two groups are similar to each other after entropy balancing.

⁶We first compute propensity scores for each firm based on the observable similarities in firm-specific characteristics, year, industry, and country. We further matched apex firms (treatment sample) and non-apex firms (control sample) based on their propensity scores by using the nearest neighbor matching approach with replacement (within a caliper of 0.01). The matching process results in 1278 firm-years for BG affiliation analysis. Further details of the first-stage analysis in the PSM and descriptive statistics after matching are presented in Table OB2.

The findings presented in Online Appendix [OB2](#) show that our main results remain robust and are not affected by the differences between apex and non-apex firms. Furthermore, untabulated results show that the Tobin's Q analyses presented in Table 4 also remain unchanged if we run our regression models after implementing PSM or entropy balancing.

4.3.3 | SASB materiality

A potential concern regarding our measure of substantive CSR is that it might not completely capture the actions of firms that undertake real investments in CSR activities. To address this issue, we leverage the materiality framework provided by the Sustainability Accounting Standards Board (SASB) and reconstruct our measure of substantive CSR to include only the items that are considered to be (financially) material according to SASB's industry-specific framework. Results presented in Online Appendix [OB3](#) show that apex firms undertake fewer material CSR actions relative to non-apex firms, while the difference between apex and non-apex firms becomes insignificant for non-material CSR actions. Overall, this suggests that apex firms systematically undertake fewer CSR activities that are (financially) material relative to non-apex firms. Accordingly, these results support our main findings.

4.3.4 | Dual-class shares, affiliate-level, and control-cash wedge

Admittedly, the measure we use for testing the moderating effect of equity relationships may not fully capture the extended identity domain of apex firms, potentially due to the presence of a control-cash wedge. The wedge between cash and control rights may arise in our sample mainly due to: (1) the existence of dual-class shares (issuance of two or more classes of shares with different voting rights), and (2) the ownership structure (if more firms are chained to each other via equity relationships, for example, the existence of pyramids and cross holdings) (Burkart & Lee, 2008). Both of these may result in a stronger identity domain, even in the absence of direct equity relationships. Accordingly, we perform further robustness tests to examine whether our results are similar when considering the control-cash wedge. To test for this, we controlled our equity relationship analyses for the existence of dual-class shares and the layer of the affiliate within the BG pyramidal structure within the BG ownership structure. Results in Online Appendix [OB4](#) are similar to the ones in Table 3.

Furthermore, to capture the effect of the control-cash wedge in a more precise manner, we acquired data from NRG Metrics on ultimate cash flow rights of firms attributable to their controlling shareholders, and the percentage of issued shares (voting rights) of firms held directly by their parent firm(s) in the same group. Following Bena and Ortiz-Molina (2013) and Hong et al. (2017), we computed the control-cash wedge (*Wedge*) as the controlling owner's control rights divided by cash flow rights. We replaced our equity relationship measure, *Equity_Ownership%*, with *Wedge* and the results presented in Online Appendix [OB4](#) are similar to the results presented in Table 3. Overall, the effect of equity relationships is statistically insignificant across different proxies, indicating that our results are not affected by the choice of our equity relationship measure.

5 | DISCUSSION

This study's findings contribute to the literatures on CSR decoupling and BGs, aiming to cross-fertilize these areas of research (Ararat et al., 2018). In the following discussion, we outline these contributions as well as identify some limitations. In so doing, we aim to encourage future research that not only considers whether and how CSR decoupling occurs across firms (and its implications) but also to generate novel theoretical and empirical insights on how structures like BGs influence the perception of CSR decoupling as greenwashing, and for whom.

5.1 | CSR decoupling

We first contribute to the literature on CSR decoupling. While prior work in this area has focused on the process of decoupling within standalone firms and the corresponding performance implications of symbolic actions without commensurate substantive actions (Hawn & Ioannou, 2016; Walker & Wan, 2012), more recent contributions have sought to examine the role of organizational and environmental antecedents in facilitating and/or exacerbating such decoupling, for example, board structure (Graafland & Smid, 2019), public listing status (Marquis et al., 2016), regulatory constraints (Lyon & Montgomery, 2015; Tashman et al., 2019) and socio-political context (Matten & Moon, 2008; Roulet & Touboul, 2015). We add to this literature by focusing on a novel antecedent, namely the presence of interfirm affiliation. Through examining the context of BGs, we theorize about and provide evidence that decoupling can also arise *across* firms when they are affiliated and share common resources. We extend prior studies that have documented how substantive CSR activities enhance intangible resources (Surroca et al., 2010) by illustrating how enhancements made by one firm allow for other firms to inadvertently benefit from them, even if those latter firms have not substantively contributed to the accumulation of these shared resources.

Importantly, we demonstrate that the position of affiliates within a group structure influences whether a disparity between CSR symbolism and substance is perceived as greenwashing, which in turn has important implications for performance. In contrast with prior findings (Hawn & Ioannou, 2016; Walker & Wan, 2012; Wu & Shen, 2013), we provide evidence that for apex firms, such a disparity carries a smaller risk of being perceived as greenwashing and may even be rewarded by markets. This implies that from the perception of market actors, the coordination function of apex firms and the identity domain that they extend over non-apex firms legitimizes their benefiting—even if unintentionally—from the substantive CSR activities of non-apex firms. This legitimacy is further enhanced when there is a visible social relationship between apex and non-apex firms, that is, through an umbrella brand.

5.2 | The distribution of intangible resource investments in BGs

Prior research on BGs has revealed how intangible resources within a group structure benefit all affiliates (Chang & Hong, 2000; Gao et al., 2017). Nonetheless, these studies do not examine which affiliates incur the costs of enhancing those intangibles, an important omission in understanding the cost-benefit calculus of group membership. Our main contribution to the BG literature is therefore to empirically reveal how, within a group structure, the costs of intangible resource-enhancing investments are unequally distributed, despite all members enjoying their

benefits. CSR is uniquely suitable for examining this phenomenon: by exploring the distribution of substantive versus symbolic activities within a BG, CSR offers a rare opportunity to disentangle which affiliates incur relatively more of the costs of investment in intangibles (i.e., substantive activities) from those that expressly benefit more from such investment (i.e., symbolic activities that garner legitimacy from the external environment).

Beyond this, we also show how the strength of the apex firm extended identity domain—which, in turn, determines whether they benefit from the investments in intangible resources made by non-apex firms—can be inferred by social relationships. We propose that, since BG affiliates are bound by social relationships that complement formal equity relationships, these factors are likely to reflect how strong the identity domain of apex firms is over non-apex affiliates. Contrary to our expectations, however, the actual equity ownership does not have any impact on decoupling, implying no effect on the identity domain. The group identity that binds affiliates together accordingly appears to lie in relationships beyond equity ownership (Granovetter, 1995, 2005; Khanna & Palepu, 1999) and may be represented in other characteristics such as family ownership (Carney & Gedajlovic, 2003).

Our final contribution is towards advancing the growing literature on how BGs contribute to the common good (Ararat et al., 2018). Anecdotal accounts provide instances of BGs engaging in socially and environmentally responsible practices: in East Asia, for instance, BGs often provide social services to employees that would otherwise not be available through the welfare system (Gao et al., 2017; Matten & Moon, 2008), while in India, group-affiliates are more likely than unaffiliated firms to locate manufacturing facilities in underdeveloped regions (Fisman & Khanna, 2004). While these accounts are certainly crucial, we seek to highlight heterogeneity in socially and environmentally responsible practices *within* BGs, highlighting how some affiliates (non-apex firms) may be carrying the weight of others (apex firms), with markets considering this to be a somewhat legitimate practice. Thus characterizations of BGs as “avatars or anachronisms” (Granovetter, 2005), “red barons or robber barons” (Perotti & Gelfer, 2001), or more commonly, “paragons or parasites” (Carney et al., 2018; Khanna & Yafeh, 2007), may be misguided since the BG structure may legitimately allow for an unequal—but not necessarily less effective (from a social welfare perspective)—distribution of CSR practices across affiliates.

Finally, we propose practical implications in light of our study's findings: managers operating within BGs should be aware of the interplay between an identity domain and decoupling. Establishing a strong identity domain across the group—through, for instance a shared name—is not only a signal to affiliates that they are trusted members of the group (Ingram, 1996), but also has positive implications for the apex firm. Using the case of CSR, we show how the identity domain implies a “division of labor”—that is, non-apex firms engaging in enhancement of intangible resources, and apex firms engaging in control and coordination activities (including communication and disclosure)—that is viewed as appropriate and legitimate from the perspective of market actors. Therefore, an identity domain may signal that the group is efficient in terms of distribution of activities.

5.3 | Limitations and future research

We outline some limitations to our study that we hope will also serve as a basis for future research. First, our goal of studying CSR decoupling across firms imposes certain scope conditions, namely a focus on differences between apex and non-apex firms. Our intragroup focus departs from much of the BG literature that investigates differences among BGs, as well as

between BG affiliates and non-affiliates (Carney et al., 2011). Examining variation in decoupling between affiliates and non-affiliates may yield insights into the direct differences between the two. In addition, there is significant variation among BGs in terms of structure (Yiu et al., 2007): although we check the robustness of our results for certain characteristics (i.e., size, hierarchy, diversification, and type of ultimate controlling shareholder) as controls, future research can more directly examine and theorize about how different types of BG structure affect the propensity for this type of decoupling to emerge. Furthermore, although we examine two types of relationships that bind affiliates (i.e., equity and social relationships), there are certainly others that may shed insight, for instance, kinship ties or board interlocks (Briseño-García et al., 2022; Jeong et al., 2022).

A second and related boundary condition is our focus on BGs as a context to understand how interfirm affiliation affects the emergence of not only decoupling but also perceived greenwashing. BGs feature unique characteristics such as coordination and control functions by an apex firm, as well as socio-economic relationships between affiliates; these are not necessarily present in other forms of cooperative inter-organizational relationships such as alliances, joint-ventures, franchises, or research consortia (Cuervo-Cazurra, 2006). Accordingly, despite sharing resources across firms, the likelihood that decoupling emerges may vary across such arrangements, owing to the distinctiveness of the interorganizational relationship and the lack of a central control and coordination entity. The plurality of interorganizational relationships thus offers a rich area for future research on decoupling and perceived greenwashing.

Third, our focus in this study is on how CSR actions may enhance the intangible resources of firms, as well as the larger groups within which they are situated. Given our focus on decoupling though, an accompanying scope condition is that we do not examine situations of corporate irresponsibility (CSiR) such as bribery, corruption, and pollution, that potentially generate backlash from stakeholders. In a group setting, CSiR would not only potentially impair the intangible resources of an individual firm, but possibly spill over to negatively affect affiliates. Yet, as Lange and Washburn (2012) indicate, CSR and CSiR are fundamentally different theoretical concepts that have developed in parallel. Our focus on decoupling necessitates examining when actions do not match communications, rather than situations of corporate malfeasance. Nonetheless, future research could examine how negative corporate behavior impacts intangible resources in a manner that spills over to affiliated firms.

A fourth limitation is that we only include publicly listed firms in our final analyses given the lack of CSR coverage in the ASSET4 database (even though we consider non-listed affiliated firms in the determination of the BG characteristics and identification of apex firms). Therefore, there is a rich area for future research concerning other forms of ownership. We may consider, for instance, that private firms, given less exposure to institutional and market norms, may reduce their symbolic (and potentially substantive) CSR. Kim et al. (2019) advance research in this area by considering differences in charitable contributions between publicly listed and private affiliates. We also suggest other sources of heterogeneity: family-owned BGs are considerably different from non-family BGs with respect to, for instance, wealth preservation or growth strategies (Carney & Gedajlovic, 2003; Masulis et al., 2011), which may impact the likelihood that CSR decoupling will emerge across the members of such BGs.

Fifth, although we control for country-level characteristics in our study, they may still be an important source of variation in CSR decoupling behavior across firms. For instance, Matten and Moon (2008) illustrate differences in “explicit” versus “implicit” CSR that are driven by norms in Anglo-Saxon and Continental European countries, respectively. The distinction

between the two types of CSR manifests in how firms choose to invest in and report their actions to external audiences. Ioannou and Serafeim (2012), using ASSET4 data, similarly demonstrate how Corporate Social Performance is contingent upon national legal, political, educational, and financial institutional arrangements. We believe that such differences may be important determinants of whether and how apex firms may be benefiting from the substantive actions of non-apex firms. We may even consider that certain contextual arrangements enable “propping” behavior, where apex firms use intangible resources to support non-apex firms (Amsden & Hikino, 1994).

Finally, in terms of our market valuation results, we acknowledge the lack of a natural experiment or strictly exogenous variation in our sample, which hinders our ability to make strong causal claims. We are thus careful to present our findings as plausibly consistent with the idea that investors may “forgive” (i.e., perceive as legitimate) apex firms for engaging in symbolic CSR, yet we hope that future research, through appropriate research designs that could take advantage of events or exogeneous shocks, could confirm or refute our findings through causal inference.

6 | CONCLUSION

In this study, we examined CSR decoupling across firms that share intangible resources within a BG structure, a behavior that is the result of growing institutional pressures on organizations to respond to environmental and social issues (Matten & Moon, 2008). Although engaging in high symbolic CSR actions without commensurate substantive CSR actions is often penalized by the market, we illustrated how larger interfirm arrangements—for example, business groups—may legitimize this behavior by certain firms that exercise control and coordination functions, allowing them to decouple their practice from reporting in a way that does not incur a negative impact on performance and, in some cases, may even enhance it. Given the economic activity that BGs represent, coupled with the critical importance of attending to environmental and social problems, we hope to provide a base for cross-fertilizing and extending these important areas of research.

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OPEN RESEARCH BADGES



This article has earned an Open Data badge for making publicly available the digitally-shareable data necessary to reproduce the reported results. The data are available at <http://www.icmje.org/conflicts-of-interest/>.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the following databases: Bureau van Dijk (BvD) Orbis, Datastream, Worldscope, Thomson Reuters ASSET4 and NRG metrics. Restrictions apply to the availability of these data, which were used under license for this study.

ORCID

Joel Bothello  <https://orcid.org/0000-0002-6571-4958>

Ioannis Ioannou  <https://orcid.org/0000-0002-5945-4870>

Vlad-Andrei Porumb  <https://orcid.org/0000-0001-9325-236X>

Yasemin Zengin-Karaibrahimoglu  <https://orcid.org/0000-0003-1885-1025>

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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