Spanish Journal of Finance and Accounting / Revista Española de Financiación y Contabilidad
Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/refc20

Determinants of CSR practices: analysis of the influence of ownership and the management profile mediating effect

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Published online: 03 Mar 2014.

Spanish Journal of Finance and Accounting, 2014
Vol. 43, No. 1, 47–68, http://dx.doi.org/10.1080/02102412.2014.890824

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Determinantes de las prácticas de RSC: análisis de la influencia de la propiedad y del efecto mediador de la alta dirección

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(*Received 8 August 2012; accepted 7 October 2013*)

The purpose of this article is to study the relevance of ownership and top management characteristics in the implementation of corporate social responsibility (CSR) activities. Specifically, it is proposed that ownership structure characterised by the presence of large shareholders is related to CSR activities and that this relationship may be mediated by the CEO management profile in accordance with the Agency–Stewardship approach. The results of mediation analysis on a sample of 101 non-listed companies in Spain show that those with a higher ownership concentration tend to be run by managers whose profile is closer to the steward than the agent model and to be more involved in CSR activities. Our findings also support the existence of the suggested mediating effect. This article goes further than existing research on owners and top managers as determinants of CSR and unveils new ways to address this topic empirically.

Keywords: large shareholders; ownership concentration; Agency–Stewardship approach; CEO management profile; corporate social responsibility

Este trabajo estudia la importancia de la propiedad y la alta dirección para la implantación de la Responsabilidad Social Corporativa (RSC). En concreto, se propone que una estructura de propiedad concentrada en manos de accionistas significativos se relaciona con las prácticas de RSC y que dicha relación está mediada por el perfil de los altos directivos según el enfoque Agencia–Stewardship. A partir de una muestra de 101 empresas españolas no cotizadas, los resultados muestran que aquellas compañías con una mayor concentración de la propiedad tienden a desarrollar un mayor nivel de prácticas de RSC. Asimismo, nuestros hallazgos apoyan la existencia del efecto mediador del perfil del director general definido dentro del continuo agente-steward en dicha relación. Por tanto, este trabajo avanza en la investigación existente acerca de los accionistas significativos y los altos directivos como determinantes de la RSC y abre nuevos caminos para abordar esta cuestión de forma empírica.

Palabras clave: accionistas significativos; concentración de la propiedad; enfoque agencia-stewardship; perfil directivo; responsabilidad social corporativa

1. Introduction

The review by Aguinis and Glavas (2012) indicates that, according to the existing literature, companies embark on corporate social responsibility (CSR) activities for

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institutional, organisational or individual reasons. At institutional level, there may be pressure from stakeholders based on their expectations regarding CSR (Agle, Mitchell, & Sonnenfeld, 1999; Sharma & Henriques, 2005) and in line with instrumental reasons or personal interest, concerning relations between groups or ethical standards and moral principles (Aguilera, Rupp, Williams, & Ganapathi, 2007). The institutional determinants of CSR also include the existence of regulation (Fineman & Clarke, 1996) or standards and certifications (Christmann & Taylor, 2006) as well as the sociocultural context of the country (Brammer, Pavelin, & Porter, 2009). At the organisational level, CSR actions may stem from an initiative generated within the company, either in its search for greater competitiveness and legitimacy or to satisfy a feeling of responsibility and duty (Bansal & Roth, 2000). In this case, there are specific variables in the company that affect CSR initiatives, such as its mission and values (Bansal, 2003) or its corporate governance practices and structures (Aguilera & Jackson, 2003; Johnson & Greening, 1999). Finally, at the individual level, matters such as the perception of CSR by the employees (Rupp, Ganapathi, Aguilera, & Williams, 2006), their values and those of the management (Mudrack, 2007) or the managers' commitment to CSR may also be important for predicting the extent to which such practices are adopted in companies (Weaver, Treviño, & Cochran, 1999).

Since there is a need for research at more than one level of analysis of CSR determinants (Aguinis & Glavas, 2012), this study covers the organisational and individual levels. At the organisational level, it focuses on companies' ownership structure and its influence on CSR. A number of empirical studies have been carried out in recent years, both internationally (Arora & Dharwadkar, 2011; Harjoto & Jo, 2011; amongst others) and in Spain (Fernández Sánchez, Sotorrío, & Díez, 2011; Godos-Díez, Fernández-Gago, & Cabeza-García, 2012), which specifically consider the degree of firm ownership concentration as one of the possible factors behind CSR. This line of work is based on the premise that owners, especially those with a significant stake in the company capital, are willing to play an active role in corporate decision-making (Grossman & Hart, 1986) and are therefore determinants in defining the degree of commitment with the stakeholders.

On an individual level, our study includes CEO management profile as a determinant of CSR. According to the Upper Echelons Theory (Hambrick, 2007), companies are conceived as a reflection of the values and the understanding of their CEOs, especially when the latter are free to act (Hambrick & Finkelstein, 1987), so if we wish to find out why companies act the way they do, their CEOs should be considered. More specifically, the profile of CEOs can be studied from the Agency–Stewardship approach (Davis, Schoorman, & Donaldson, 1997; Le-Breton-Miller, Miller, & Lester, 2011), which poses two extreme management models in a continuum based on a number of psychological and situational characteristics: that of the agent who tends to be mostly concerned about maximising their own well-being and that of the steward who tries to behave collectively in the interests of the stakeholders and who, in general, adopts a more positive posture towards CSR (Godos-Díez, Fernández-Gago, & Martínez-Campillo, 2011).

This research aims to integrate the organisational and individual levels by studying the simultaneous impact on CSR practices of the two groups that have the greatest capacity for influencing any strategic process within a company, that is, the main shareholders and the CEOs (Guerras, 2004). Although the large shareholders may determine the degree of the company's social commitment, it is the CEOs that are delegated by the shareholders to take the final decisions regarding implementation of CSR. This means that the main owners can only achieve their goals in CSR if they are able to exert an influence on the CEO's decisions in this connection (David, Bloom, & Hillman, 2007). Our study, therefore, aims to analyse whether the profile management of CEOs in the agent–steward continuum can partly explain the influence of firm ownership concentration on CSR practices, thus playing a mediating role. To our knowledge, this matter has not yet been covered in the literature.

Our findings indicate that when firm ownership is concentrated, this has a positive and significant influence on the implementation of CSR practices and that this influence is exerted, at least partly through a CEO with a profile that is closer to that of a steward than of an agent. This article therefore has important implications from the business point of view as it shows that CEOs have a relevant role in achieving the goals of large shareholders, indicating that it is essential to align the interests of both groups to implement CSR actions.

The rest of the article is structured as follows. Section 2 poses the hypotheses to be tested based on a review of the literature. The data, measurement of the variables and the methodology are described in Section 3. The results and their discussion appear in Sections 4 and 5. Finally, in Section 6, a number of conclusions are drawn, with their implications, and some future lines of study are suggested.

2. Literature review and hypotheses

2.1. Effect of firm ownership concentration on CSR practices

According to Agency Theory, large companies have a contractual structure that is characterised by separation between ownership (shareholders) and control (management), with the owners delegating decision-making to the managers. This means that the latter do not suffer the economic consequences of any decision, so they cannot have incentives to maximise the company's value. This situation can give rise to managerial behaviour that is opportunistic or not in line with what shareholders expect, so management supervision mechanisms are required, both internal and external, to try to minimise agency costs. This study focuses on firm ownership concentration, which is one of the main internal corporate governance mechanisms, especially in civil law countries where there is little investor protection (La Porta, López de Silanes, Shleifer, & Vishny, 2000; Shleifer & Vishny, 1997).

Firm ownership concentration is a determining factor in business decisions and actions (Blair, 1995; Johnson & Greening, 1999). It may influence not only the company's financial returns but also its social performance (Barnea & Rubin, 2010; Dam & Scholtens, 2013; Fernández Sánchez et al., 2011; Godos-Díez et al., 2012; Harjoto & Jo, 2011; Walls, Berrone, & Phan, 2012). The company's involvement in CSR activities may therefore vary depending on the company's ownership structure (Dam & Scholtens, 2012; Judge, Gaur, & Muller-Kahle, 2010; Oh, Chang, & Martynov, 2011) and, more specifically, depending on the degree of concentration among owners holding a relevant stake in the company's capital. The literature offers arguments in favour of both a positive link and a negative link between the two variables.

A positive link between the firm ownership concentration and CSR activities may exist for three main reasons. First, according to growing literature based on Stakeholder Theory (Jensen, 2002; Scherer, Palazzo, & Baumann, 2006, among others), it can be considered that the role of companies is to satisfy the interests of their stakeholders and not only of their shareholders. From this point of view, the firm ownership concentration amounts to a management supervision mechanism because these shareholders have a greater incentive to be better informed and to participate in business decisions (Demsetz & Lehn, 1985; Lee

& O'Neill, 2003). This may lead to more efficient business management based on solving any conflicts arising among the different stakeholders (Jo & Harjoto, 2011). More specifically, the presence of large shareholders may imply a higher level of CSR because it mitigates an agency problem between owners and managers, in that such shareholders will dissuade the managers from reducing investment in CSR. This way managers are not allowed to employ more resources to achieve their own short-term objectives at the expense of those of other stakeholders (Consolandi, Nascenzi, & Jaiswal-Dale, 2008).

A second argument is related to the fact that owners may have different time frames for remuneration of their individual contributions. Since large shareholders tend to have other objectives apart from bringing in profit in the short term (Blair, 1995; Monks & Minow, 1995), they will have a broader range of possible investments, including investments over a longer time frame (Hoopes & Miller, 2006; Lee & O'Neill, 2003). In general, such shareholders may be unable to invest and divest fast, so will favour actions leading to business success in the long term, such as maintaining quality and respect for the environment or commitment to the community (Consolandi et al., 2008). Therefore, since investments in CSR tend to be in the long term (Johnson & Greening, 1999), constituting a legitimate, sustainable means of survival and value creation for the company in the future (Anderson, Mansi, & Reeb, 2003; Arora & Dharwadkar, 2011; Oh et al., 2011), they are likely to be supported by large shareholders.

Third, large owners are also characterised by the importance they place on maintaining their reputation, which is closely linked to that of the companies they possess (Anderson et al., 2003). CSR initiatives may therefore function as a protection mechanism against possible adverse contingencies for the company, to the extent that they send a positive signal that the company shows goodwill towards the stakeholders affected by its activity (Godfrey, Merrill, & Hansen, 2009). So, the presence of large shareholders, who are more visible to the general public than small shareholders (Goergen & Renneboog, 2010), leads companies to defend their reputation by being more likely to adopt decisions that will not only be in their economic interests but will also take into account social and environmental considerations (Prado-Lorenzo, Gallego-Álvarez, & Garcia-Sánchez, 2009). Owning a company perceived as 'socially irresponsible' may entail high costs (Barnea & Rubin, 2010), so a large shareholder is more likely to be concerned about the company's social reputation.

In consequence and in line with the above arguments, the following hypothesis is posed:

Hypothesis 1a: Firm ownership concentration will positively influence the implementation of CSR practices.

However, it is also possible to consider a link in the opposite direction. Company ownership among large shareholders may lead to business management that focuses on obtaining private benefits, which may go against the interests of other stakeholders (Cuervo, 2004; Johnson, La Porta, López-de-Silanes, & Shleifer, 2000). So, although high ownership concentration may reduce the agency problem between shareholders and managers, it may also give rise to a problem of expropriation of minority shareholders. More specifically, the large owners may enjoy excessive power leading to expropriation of resources from minority owners to maximise their private benefits, thus reducing the company's commitment to CSR (Brammer & Pavelin, 2008).

In addition, if the time frame of decisions is considered, there may also be investors that can invest and divest fast and only focus on short-term objectives, irrespective of the amount of committed resources in a company (Porter, 1992). To adopt the terms used by Bushee (1998) and Dikolli, Kulp, and Sedatole (2009) for referring to institutional investors, if myopic or transient investors hold a significant stake in a company's capital, they will pressure the management to achieve short-term results. This situation will tend to reduce the implementation of CSR actions, which, although they produce positive effects for companies in the long term, in the short term lead to a marked increase in costs (Friedman, 1970).

Finally, considering that disclosure in social and environmental actions is a normal feature of CSR practices, greater concentration of ownership may also reduce motivation to give information on CSR, since such owners can obtain this information directly from the company (Reverte, 2009). However, when the ownership structure is more dispersed, CSR disclosure becomes more important because of the existence of information asymmetries, making it more necessary not only to get involved in social actions but also to provide information on them (Brammer & Pavelin, 2008).

In view of the above reasoning, the following hypothesis is posed as an alternative to the previous one:

Hypothesis 1b: Firm ownership concentration will have a negative influence on the implementation of CSR practices.

2.2. *The mediating effect of the CEO management profile*

2.2.1. *Management profile under the Agency–Stewardship approach*

The Agency–Stewardship approach explains the role of top managers in a context of separation between ownership and management in which both parties can have diverging objectives (Davis et al., 1997; Le-Breton-Miller et al., 2011; Wasserman, 2006). This approach is based on two conflicting theories – Agency Theory and Stewardship Theory – each of which provides different assumptions regarding managerial motivation and behaviour (Martynov, 2009).

As stated above, Agency Theory is an economic approach to corporate governance (Jensen & Meckling, 1976), which postulates that managers as agents are economically rational individuals and focused on the short term that seek to maximise their own utility function. For this purpose, they are able to act opportunistically (Milgrom & Roberts, 1982). Thus, this makes it necessary to set up control mechanisms to supervise managerial actions.

However, business activity takes place in a cooperative social context, in which there are also managers characterised by behaviour in favour of all stakeholders (Ghoshal, 2005). Therefore, Agency Theory has to be complemented with other approaches that take growing social demands into account. Stewardship Theory is a psycho-sociological view of corporate governance (Davis et al., 1997; Hernández, 2012), which considers managers as stewards of their companies so that pro-organisational and collectivist conducts have a higher utility than individualistic and selfish ones (Martynov, 2009). Since stewards seek the welfare of all stakeholders, the main way of satisfying their competing interests is by maximising firm value in the long term (Hernández, 2012).

Drawing on these two theories, the Agency–Stewardship approach suggests that management profile within the agent–steward continuum can be described in terms of psychological and situational factors (Davis et al., 1997; Wasserman, 2006). Psychological factors refer to certain personal characteristics of managers that may affect their behaviour.

These include the type of work motivation, the degree to which they identify with their companies and the power source that they use to influence their subordinates. Situational factors reflect the managers' perceptions of management philosophy and organisational culture – specifically the individualism/collectivism and power distance dimensions. Under this approach, managers are more likely to behave as agents if their motivations are extrinsic – aiming to meet the physiological, safety and social needs of employees, if they do not feel particularly identified with the company they manage, if they use the institutional power they hold by virtue of their position and if they belong to a company whose philosophy is one of control, with an individualistic atmosphere and large power differences among its members. In contrast, managers are more likely to act as stewards if their motivations are intrinsic – aiming to meet needs of esteem and self-fulfilment, if they feel identified with the company they run, if they use the power that is inherent in them and if they work in companies whose philosophy is focused on involvement, a collective culture and short power distances (Davis et al., 1997).

2.2.2. Influence of firm ownership concentration on CSR practices through the CEO management profile: the mediating effect

The adoption of CSR practices is a business decision that may be subject to a conflict of interest between owners and managers (Dierendonck, 2011). Since shareholders delegate business decisions to managers, a company's CSR practices may be in line with the owners' desires but their effective implementation will depend on those who take the final decisions and are responsible for administering them, that is, the top managers. In fact, these managers play a fundamental role in the development of social initiatives (Aguinis & Glavas, 2012; Thomas & Simerly, 1994), by either considering CSR in the strategic management process or not (Aguilera et al., 2007) and, if so, allocating resources to the various socially responsible actions (Quazi, 2003).

Top managers closer to the steward profile will acknowledge that the company and society are interdependent entities (Caldwell, Karri, & Vollmar, 2006), will perceive great long-term utility in ethical and social behaviours (Hernández, 2012), will tend to comply with the company's duties towards society (Manville & Ober, 2003) and will be committed to the well-being of all stakeholders (Hernández, 2012). Thus, such managers are likely to include CSR in the strategic management process and to invest in social and environmental initiatives (Aguilera et al., 2007; Dierendonck, 2011; Godos-Díez et al., 2011). On the other hand, top managers closer to the agent model will consider that involving a company in ethical and socially responsible actions will increase their costs, which will result in lower market competitiveness and worse short-term return (Friedman, 1970). Moreover, even if there will be an eventual positive return from these actions, such investments will be unlikely to pay off in the time frame that these managers deem suitable (Doane, 2005), since social initiatives would be absorbing resources that could otherwise go towards other activities with potential to generate them more personal profits in the short time (Margolis, Elfenbein, & Walsh, 2007). So, managers closer to this profile are unlikely to consider CSR in the strategic management process or to invest resources in such practices (Godos-Díez et al., 2011).

Therefore, even though large shareholders can influence the implementation of socially responsible practices in companies, since top managers take responsibility for the final decisions in this regard, the former can only achieve their CSR objectives if they are able to exert an influence over managerial decisions (David et al., 2007). It may therefore be essential to ensure that the objectives of the two parties are aligned with regard to CSR, as this will allow that a certain degree of social commitment among large shareholders lead to a the corresponding consideration of ethical, social and environmental aspects by the managers when taking investment decisions.

So, when ownership is concentrated among large shareholders interested in undertaking CSR activities, they will be more likely to fulfil their wishes if the company has a CEO with a management profile closer to the steward model. These large shareholders will see management from the point of view of resolving conflicts among stakeholders, which is in line with steward-type managers in a collectivist culture in which individual objectives take the second place to the collective interest, and the emphasis is on cooperation. Unlike managers closer to the agent model, who will focus more on achieving their own objectives, steward-type managers will try to increase the wealth of the organisation to meet the objectives of all stakeholders (Caldwell & Karri, 2005). Moreover, a long-term orientation in decision-making on the part of large shareholders is more likely to be in line with the type of business management carried out by steward-managers. Finally, the pursuit of a good personal reputation would not be exclusive to large owners interested in CSR, because top managers could also benefit in this condition (Barnea & Rubin, 2010), especially those who feel identified with their organisation, which is an attribute of the steward profile.

On the other hand, if the ownership is concentrated among large shareholders who wish to reduce the company's commitment to CSR, they are more likely to be able to achieve this objective if the top managers are closer to the agent model. In this case, both owners and managers will focus on the costs of the company's ethical, social and environmental commitment and will consider that CSR practices are taking resources away from other activities that are more closely related to their own utility functions. So, both groups will tend to subordinate CSR to other organisational aspects that bring them greater personal utility and will use their power to expropriate firm resources to obtain private benefits, preventing them from being allocated to CSR.

Thus, it can be deduced that a factor that can mediate in the link between firm ownership concentration and CSR practices is the management profile defined under the Agency–Stewardship approach. So, in addition to a direct effect, the possible positive or negative influence of firm ownership concentration on CSR practices could also be exerted indirectly via the CEO management profile within the agent–steward continuum. The following hypothesis is therefore posed:

Hypothesis 2: The CEO management profile within the agent–steward continuum will mediate in the relation between firm ownership concentration and CSR practices.

Figure 1 gives a graphical representation of the theoretical model proposed, with the research hypotheses to be tested.

3. Research design

3.1. Sample

In view of the nature of the research and the consequent lack of sources of secondary data on CSR practices and, especially, on the management profile of CEOs, a survey was carried out to obtain the information needed. To select the target population for the study, the SABI (*Sistema de Análisis de Balances Ibéricos*) database was used, and the following criteria were adopted for including companies: they must have more than 250 employees,

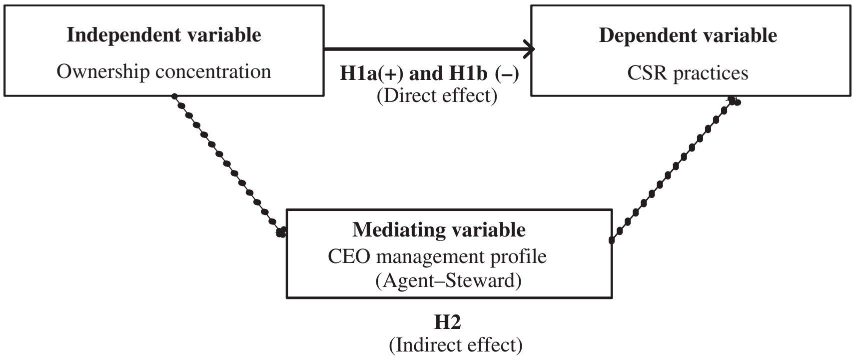

Figure 1. Theoretical model.

as this is considered by Recommendation 2003/361/EC of the Commission of the European Communities to be a large company; they must be based in Spain; they must have filed their Annual Accounts for 2006, the last year available when the research was designed.

The total number of companies that met the above requirements was 2978. They were all sent the questionnaire by post together with an addressed, reply-paid envelope. The survey was addressed to the CEO of each company and was filled in between the months of July and September 2008. The questionnaires were sent out twice during this period.

After completing this process of data collection, 128 valid responses from unlisted companies were obtained.[1] However, to avoid missing data and to have the same size sample in all the models, the total observations for the various analyses performed came from 101 companies.

3.2. *Measurement of variables*

3.2.1. *Dependent variable*

It has traditionally been complicated to make the CSR concept operational because it is a complex, multidimensional construct (Waddock & Graves, 1997). In fact, CSR has been quantified in the literature in various ways. Four general measurement methods can be distinguished (Van Beurden & Gössling, 2008): first, through classifications of companies by agencies specialising in social and environmental evaluation, such as the KLD indicators (Arora & Dharwadkar, 2011); second, by the inclusion of companies in certain sustainability indices, such as the Dow Jones Sustainability Index (López-Iturriaga & López-de-Foronda, 2011); third, by association with measures of corporation reputation such as the list of most admired companies drawn up by the *Fortune Journal* (Fombrun & Shanley, 1990) and fourth, by the work carried out by researchers both through analysis of content (Prado-Lorenzo, Gallego-Álvarez, García-Sánchez, & Rodríguez-Domínguez, 2008) and through collection of primary information by means of surveys or interviews (Lindgreen, Swaen, & Johnston, 2009).

This study follows the last of these patterns of measurement, that is, it uses a survey based on previous studies. To encourage responses, an indicator of CSR practices was used that was both simple and easy to fill in. This was the indicator drawn up by Prado-Lorenzo et al. (2008), which, based on the classification criteria established by the Global Reporting Initiative (GRI), considers five possible actions by companies relative to stakeholders. It considers *ISO 9001, ISO14001* and *OHSAS 18001* certificates held by the company, because concepts such as quality, the environment and health and safety at work figure increasingly in CSR and such standards certify the company's commitment regarding regulations on product quality, environmental protection and working conditions (Fray, 2007). This indicator also includes a *Code of Ethics* and the drafting of a *Social Responsibility* or *Sustainability Report*, both of which imply the existence of a set of activities aiming to promote exemplary conduct in staff and shareholders' relations with other stakeholders. This indicator therefore complies with the proposal made by Gjølberg (2009) for guaranteeing the content validity of CSR measurements, since in addition to reflecting information on the company's social and environmental activities, it also covers certification of such activities.

In this study, as in that by Prado-Lorenzo et al. (2008), these five items (Appendix 1) can only take two values for each company: '1' if the action is present in the company and '0' otherwise. This means that the sum of the scores can also be used to measure CSR practices.

To analyse the dimensionality of this measurement tool, factor analysis was performed (Table 1), which revealed that the scale structure was unidimensional and that the factor loadings for all the items exceeded the widely accepted cut-off point of 0.5 (Hair, Anderson, Tatham, & Black, 1999). Moreover, the internal consistency and, consequently, the reliability of the construct were clear because Cronbach's alpha was 0.669. This can be considered both acceptable, in that it exceeds the minimum of 0.6, and justifiable in view of the novelty of the subject being analysed and the difficulty of quantifying it (Malhotra, 1981).

3.2.2. *Independent variable*

Firm ownership concentration was measured by the percentage of the direct stake held by the company's largest shareholder in 2006.[2] Although other ownership concentration values were used in the literature, such as participation in the hands of the three or five largest owners in countries such as Spain, where ownership structure is highly concentrated, the stake held by the largest shareholder is the most widely used (Grosfeld & Hashi, 2007). Since there is no legislation on this for unlisted companies as they do not have to

Table 1. Factor analysis.

CSR practices			CEO management profile	
Variable		Component 1	Variable	Component 1
Iso9001		0.55	Profile 1	0.61
Iso14001		0.77	Profile 2	0.75
Ohsas18001		0.59	Profile 3	0.68
Code of Ethics		0.68	Profile 4	0.80
SR Report		0.68	Profile 5	0.68
			Profile 6	0.68
KMO = 0.62	KMO = 0.72			
χ^2 (10) = 84.05 (p < 0.01)	χ^2 (15) = 159.77 (p < 0.01)			
Eigenvalue = 2.16	Eigenvalue = 2.76			
%Variance = 43.15	%Variance = 46.05			

Note: n = 101.

publish any information apart from that for the Company Register, the threshold used for a significant stake is that used by the Spanish National Stock Market Commission (CNMV) for listed companies, that is, 3%.

3.2.3. Mediating variable

CEO management profile within the agent–steward continuum was measured on the basis of six items (Appendix 1) taken from the scale used by Martínez-Campillo and Fernández-Gago (2011) and included in the questionnaire sent out. The CEO had to rate the six items on a 7-point Likert scale, in which '1' indicated total disagreement and '7' total agreement.

To guarantee the measurement's content validity, the items on the scale covered, respectively, the six theoretical dimensions of the manager profile according to the Agency–Stewardship approach, corresponding to three personal characteristics or psychological factors in the manager and to their perception on three variables regarding the company they manage or situational factors (Davis et al., 1997; Le-Breton-Miller et al., 2011; Wasserman, 2006). The psychological factors included the manager's motivation to work, the degree to which they identify with the company and the source of their power over subordinates. The situational factors included the company's management philosophy, its organisational culture based on individualism/collectivism and the power distance (Davis et al., 1997; Martínez-Campillo & Fernández-Gago, 2011).

To study the dimensionality and reliability of the measure used, factor analysis was first performed (Table 1), which showed that all the items loaded on a single factor. Cronbach's alpha was estimated at 0.744, so the reliability of the measure used was guaranteed.

Finally, for subsequent analyses, an index created from the simple mean of the scores obtained for the six items was used as an indicator of the CEO management profile. A simple mean was used for three reasons: (i) because there was insufficient information to grant a priori greater weight to any one of the items used; (ii) because the reliability and dimensionality analyses revealed that all the items measured the same construct and (iii) because the simple mean is a transparent indicator that is easy to interpret: the lower the mean, the better the manager profile fits in the agent model, and the higher the mean, the better it fits in the steward model.

3.2.4. Control variables

Since CSR actions may be determined by company characteristics, the following control variables were included for 2006: first, *firm size* – measured by total assets in thousands of Euros and included in the analysis as the logarithm of total assets (Barnea & Rubin, 2010; Harjoto & Jo, 2011) – which has traditionally been positively associated with social performance because, as companies grow in size, they receive increasing attention from stakeholders and need to respond more efficiently to their demands (McWilliams & Siegel, 2000); second, *firm risk level* – measured as the quotient between total debt and equity (López-Iturriaga & López-de-Foronda, 2011; Prado-Lorenzo et al., 2009) – because prior research suggests that this may also affect social performance (Oikonomou, Brooks, & Pavelin, 2012) and, finally, *the general sector of activity to which the company belongs* – measured as a dummy variable that takes '1' when the company belongs to the industrial sector and '0' when it belongs to the services sector (Ndemanga & Koffi, 2009) – because it is advisable to control for any differences resulting from a company's sector of activity when considering its social commitment (Graves & Waddock, 1994).[3]

In addition, certain manager characteristics may also affect the implementation of CSR. In particular, in this study, a control variable for the *duality of CEO and Chairman of the Board* in a single person in 2006 was included as this is considered an indicator of corporate governance with a potential effect on the implementation of CSR practices (De Villiers, Naiker, & Staden, 2011; Jamali, Safieddine, & Rabbath, 2008). This variable was measured with a dummy, so '1' indicated the combination of the two posts, and '0' that the two posts were separated (Jo & Harjoto, 2011).

3.3. Methodology

To test the hypotheses, the methodology that is traditionally applied for analysing mediation was used, that is, hierarchical regression following the steps established by Baron and Kenny (1986). According to this methodology, first a regression is performed to study the effect of the independent variable (in our case, firm ownership concentration) on the dependent variable (CSR practices); second, the effect of the independent variable on the mediating variable (CEO management profile within the agent–steward continuum) is tested and third, the effects of the independent and mediating variables on the dependent variable are tested in a single model.

Moreover and as stated above, a possible problem of endogeneity between ownership concentration and CSR activities and between the latter variable and the control variables makes it advisable to use lags on the variables considered. Specifically, both the independent variable and the control variables were lagged by two periods.

As a result, the models proposed for testing the hypotheses following the three steps by Baron and Kenny (1986) are as follows:

$$\begin{aligned}\mathrm{CSR_{it}} = \alpha_0 + \beta_1\mathrm{CONCENTRATION}_{it-2} + \beta_2\mathrm{SIZE}_{it-2} + \beta_3\mathrm{RISK}_{it-2} \\ + \beta_4\mathrm{SECTOR}_{it-2} + \beta_5\mathrm{DUALITY}_{it-2} + \varepsilon_{it}\end{aligned} \tag{1}$$

$$\begin{aligned}\mathrm{CEOPROFILE}_{it} = \alpha_0 + \beta_1\mathrm{CONCENTRATION}_{it-2} + \beta_2\mathrm{SIZE}_{it-2} + \beta_3\mathrm{RISK}_{it-2} \\ + \beta_4\mathrm{SECTOR}_{it-2} + \beta_5\mathrm{DUALITY}_{it-2} + \varepsilon_{it}\end{aligned} \tag{2}$$

$$\begin{aligned}\mathrm{CSR}_{it} = \alpha_0 + \beta_1\mathrm{CONCENTRATION}_{it-2} + \beta_2\mathrm{CEOPROFILE}_{it} + \beta_3\mathrm{SIZE}_{it-2} \\ + \beta_4\mathrm{RISK}_{it-2} + \beta_5\mathrm{SECTOR}_{it-2} + \beta_5\mathrm{DUALITY}_{it-2} + \varepsilon_{it}\end{aligned} \tag{3}$$

where α_0 is the constant; CSR_{it} covers the CSR practices by company i in year t; $\mathrm{CONCENTRATION}_{it-2}$ refers to ownership concentration in company i in year t – 2; $\mathrm{CEOPROFILE}_{it}$ refers to the profile of CEOs within the agent–steward continuum in company i in year t; SIZE_{it-2} is the size of company i in year t – 2; RISK_{it-2} is the level of borrowing in company i in year t – 2; SECTOR_{it-2} is a dummy variable taking 1 if company i belongs to the industrial sector and 0 if it belongs to the services sector in year t – 2; $\mathrm{DUALITY}_{it-2}$ is a dummy variable taking 1 if in company i the posts of CEO and Chairman of the Board are held by the same person in year t – 2 and 0 otherwise and ε_{it} is the error term for company i in year t.

However, in recent years, the academic community has cast doubt on consideration of the change in significance of the coefficients only following the steps by Baron and Kenny

(1986), considering that it is also necessary to take into account changes in the coefficients to prove the existence of a possible significant mediating effect (Holmbeck, 1997). For this purpose, it should be shown that the two coefficients are different from zero or a single test should be applied to their product (MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002). In this study, the hierarchical regression analysis was complemented by the Sobel *Z* test (1982), undoubtedly the most widely used test for determining whether the difference between the total effect and the direct effect, that is, the indirect or mediating effect, is statistically significant.

Another technique that is being increasingly used to test whether there is a mediation effect and to determine its significance is bootstrapping (Shrout & Bolger, 2002; Zhao, Lynch, & Chen, 2010). This is a non-parametric resampling method that calculates the indirect effect in each sample generated and offers a confidence interval so that, if zero is not found in this interval, it can be affirmed that the indirect effect is different from zero. These confidence intervals are superior to the Sobel *Z* test, because the assumption made by the latter on the method of sampling distribution of the indirect effect is unrealistic. Bootstrapping is therefore the most rigorous and powerful technique for confirming the possible existence of a mediating effect (Hayes, 2009; Preacher & Hayes, 2008).

4. Results

Table 2 gives the main descriptive statistics as well as the correlation coefficients of the variables analysed. Although some variables show a statistically significant correlation following the empirical rule of Kleinbaum, Kupper, and Muller (1998), analyses of the

Table 2. Descriptive statistics and matrix of correlations.

Panel A: Descriptive statistics

	Mean	Median	Std. dev.	Min.	Q1	Q3	Max.	%[a]
1. CSR	2.327	2	1.523	0	1	4	5	
2. Concentration	0.811	0.999	0.278	0.11	0.602	1	1	
3. CEO profile	5.247	5.333	0.739	1.333	4.833	5.833	6.5	
4. Size	231,047	43,898	546,368	1088	12,780	124,024	3,215,598	
5. Risk	1.292	1.602	17.933	−167.235	0.721	3.577	26.374	
6. Sector								44.55
7. Duality								59.41

Panel B: Matrix of correlations

	1	2	3	4	5	6	7
1. CSR	1						
2. Concentration	0.254*	1					
3. CEO profile	0.321**	0.280**	1				
4. Size	0.384**	0.123	0.118	1			
5. Risk	0.111	−0.059	−0.024	−0.016	1		
6. Sector	0.516**	0.125	0.271**	0.365**	0.098	1	
7. Duality	−0.168†	−0.147	0.063	0.143	−0.110	−0.111	1

Notes: n = 101. [a]Percentage of cases in which the variable takes value 1. †$p < 0.10$; *$p < 0.05$; **$p < 0.01$.

Table 3. Results of regression analyses.[a]

	CSR	CEO profile	CSR
Variables	Model 1	Model 2	Model 3
Concentration	0.162† (1.92)	0.270** (2.78)	0.113 (1.32)
CEO profile			0.179* (2.05)
Size	0.242** (2.68)	−0.032 (−0.31)	0.248** (2.79)
Risk	0.072 (0.87)	−0.019 (−0.20)	0.076 (0.93)
Sector	0.386** (4.29)	0.266* (2.57)	0.338** (3.70)
Duality	−0.128 (−1.49)	0.135 (1.37)	−0.152† (−1.79)
F	10.83**	3.43**	10.03**
R^2	0.363	0.153	0.390
ΔR^2			0.027*

Notes: n = 101. [a]The numerical values are for the standard coefficients, and t values are in brackets. $^{\dagger}p < 0.10$; $^{*}p < 0.05$; $^{**}p < 0.01$.

variance inflation factors (VIFs) indicate that there was no evidence of multi-collinearity, as in no case was VIF higher than 10.

Table 3 shows the results of the hierarchical regression analysis after applying the three steps by Baron and Kenny (1986).[4] In the first step, which is shown in Model 1, after considering the four control variables, the results indicate that firm ownership concentration has a positive and statistically significant effect on the implementation of CSR practices (β = 0.162, p < 0.10). Both the sign of the coefficient and the level of significance support *Hypothesis 1a*, thus meeting the first condition for there to be a mediating effect.

In the second step, in addition to the control variables, the independent variable – ownership concentration – was introduced to explain the CEO management profile within the agent–steward continuum. As shown in Model 2, the coefficient of the independent variable was also positive and significant (β = 0.270, p < 0.01), thus meeting the second condition for the existence of mediation. Finally, in the third step a final regression was performed, with CSR practices being the explained variable and with ownership concentration and the CEO management profile being introduced as regressors, in addition to the control variables (Model 3). In this case, the coefficient of the CEO profile variable was positive and significant (β = 0.179, p < 0.05), indicating that the presence of CEOs with a management profile closer to the steward than to the agent model has a favourable influence on the performance of social actions. The fact that this coefficient was statistically significant, unlike the ownership concentration variable, in principle supports the existence of the mediating effect proposed in *Hypothesis 2* and, more specifically, that there is *total mediation* because the independent variable is not significant when considered together with the mediator variable.

Regarding the control variables, both greater company size and the fact that a company belongs to an industrial sector seem to have a positive and significant effect on the implementation of socially responsible practices (Models 1 and 3). Conversely, when the posts of CEO and Chairman of the Board are held by a single person (duality), this seems to have the opposite effect, although only at a level of significance of 10% (Model 3).

To test the robustness of the result regarding the mediating effect of the CEO management profile in the relation between ownership concentration and CSR

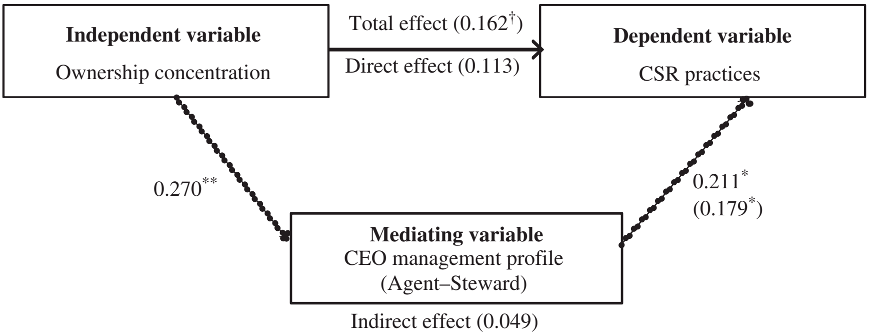

Figure 2. Mediating effect of the CEO management profile.[a]
Notes: [a]The numerical values are for the standard regression coefficients. The values given between brackets are the coefficients after inclusion of the mediation variable in the regression equation. †$p < 0.10$; *$p < 0.05$; **$p < 0.01$.

practices, any variations in the coefficients must also be taken into account. The total effect of firm ownership concentration on CSR practices, as represented by its coefficient in Model 1 ($\beta = 0.162$), leads to a direct effect quantified by its coefficient in Model 3 ($\beta = 0.113$), so that the indirect effect would be the difference between the two, that is 0.049, which amounts to 30% of the total effect (Figure 2). This effect is equal to the result of multiplying the regression coefficients of the variables for ownership concentration in Model 2 and for manager profile in Model 3. The Sobel *Z* test corroborated that this indirect effect is statistically significant ($Z = 1.650$; $p < 0.10$).

Finally, the results obtained from bootstrapping (Table 4), after applying the Preacher and Hayes (2008) SPSS macro and including the control variables and 1,000 samples, reflect a positive indirect effect of 0.265 based on the non-standard regression coefficients, with the confidence interval oscillating at 95% level between 0.0072 and 0.7903. Therefore, since 0 is not included in this interval, it can be affirmed that the mediating effect of the CEO management profile is significant, and *Hypothesis 2* is thus confirmed.

In summary, as with the results of the hierarchical regression following the Baron and Kenny (1986) steps, the two robustness analyses support the idea that the CEO management profile within the agent–steward continuum mediates in the positive relation between ownership concentration and the implementation of CSR actions.

Table 4. Bootstrapping for estimating the indirect effect on CSR.

			Indirect effect[b]					
							Corrected CI	
	Total effect[a]	Direct effect[a]	Effect	Boot	Difference	Std. dev.	Lower	Higher
Concentration	0.887† (1.92)	0.622 (1.32)	0.265	0.258	−0.007	0.184	0.007	0.790

Notes: [a]Dependent variable: CSR; the regression coefficients are shown, with the *t* values in brackets, $n = 101$; †$p < 0.10$. [b]Confidence interval: 95%; Resampling number: 1,000; CI: confidence intervals.

5. Discussion

Although the direct influence of firm ownership concentration on CSR practices was initially considered to be both positive and negative on the basis of the theoretical arguments and the empirical evidence supporting both possibilities, our results conclude that the relation is positive and significant for a sample of unlisted Spanish companies. Our findings therefore are in line with those of previous studies, such as those by Jo and Harjoto (2011) and Harjoto and Jo (2011) for US companies, Consolandi et al. (2008) for a sample of companies from various countries having a so-called Latin government system including Spain and Godos-Díez et al. (2012) for Spanish companies.

This initial result can be explained by the fact that firm ownership concentration seems to indicate greater incentives and a greater capacity for controlling the direction of the company, thus conveniently resolving any conflicts of interest arising among stakeholders by means of CSR actions. Moreover, both the commitment of the large shareholders to the investment from the point of view of a long-term interest and the link between their personal reputation and that of the companies in which they participate might encourage such owners to promote CSR practices, as these are characterised by visible results over time and a contribution to the improved reputation of companies.

Concerning the possible mediating role played by the CEO management profile on this relation, our findings indicate that, once the positive effect of ownership concentration on the implementation of CSR practices has been shown, this influence could be channelled, at least in part, through a CEO having a management profile that is closer to the steward than the agent model. This could be because such managers would share with the large shareholders their interest in considering all stakeholders and their long-term vision, as well as their wish to improve the image of a company with which they feel strongly identified.

Moreover, the results found regarding the control variables are the same as those found in the existing empirical studies. It should be stressed that company size, sector of activity and duality have statistically significant effects on CSR practices. First, larger companies interact more with the society around them, and their economic commitment to it is greater; they are more visible for the general public; and they receive greater pressure from stakeholders to perform CSR actions and to provide information on them to protect their image and legitimise their existence (Ghazali, 2007). This might be an explanation for the positive link found in this study and in much prior research (Barnea & Rubin, 2010; Harjoto & Jo, 2011, among others).

Second, a company's sector of activity might be an indicator of the type and relevance of its impact on its environment. More specifically, being present in sectors that can be classified as environmentally sensitive can be expected to expose companies to a greater extent to public opinion and might encourage them to adopt appropriate corrective measures. This is the situation detected in several empirical studies that classified sectors according to their environmental sensibility (Arora & Dharwadkar, 2011; De Villiers et al., 2011; Jo & Harjoto, 2011, amongst others) and this might also be the reason for our results because, in principle, industrial companies have a greater impact on the environment than services companies.

Finally, our results also point to a negative influence on CSR practices of the combination in a single person of the posts of CEO and Chairman of the Board of directors. Although it could be argued that the excess of power that can be assumed from the combination of posts might make the CEO give priority to the search for personal benefit rather than sustainable behaviour in line with the objectives of the shareholders and other stakeholders (García-Sánchez, Rodríguez-Domínguez, & Gallego-Álvarez, 2012), it is true that the level of significance for this relation is small and previous studies have not yet managed to clearly isolate this effect (Prado-Lorenzo et al., 2009; Walls et al., 2012, among others).

6. Conclusions

Based on a sample of 101 unlisted Spanish companies and controlling for certain organisational and managerial characteristics, this study aims to analyse whether firm ownership concentration has an influence on CSR practices and whether this relation is mediated by the CEO management profile defined according to the Agency–Stewardship approach. There are two main conclusions from an academic point of view.

First, the fact that ownership concentration may encourage socially responsible business initiatives points to the need for the academic community to consider the ownership structure of companies as a possible determinant of their CSR practices. However, since the literature includes theoretical arguments and empirical evidence for both a positive relation and a negative relation, it seems necessary to continue adding new studies to this field of research to clarify the circumstances that might be determining the sign of this relation. Possible limitations to this study and consequent lines for future research could combine the ownership concentration variable with others such as the nature of the largest shareholder (family firms, institutional investors, etc.) – which may have implications for their objectives and for the way power is exercised – or the degree of their portfolio diversification – as greater diversification may mean that their reputation would no longer be affected by the social actions of any one of the portfolio companies.

Second, this study also shows that the interest among large shareholders in increasing CSR in the companies in which they participate is exercised, at least partly through the CEO management profile within the agent–steward continuum. Therefore, joint consideration of the two groups – large shareholders and CEOs – seems to improve the explanatory capacity of the analytical models and, in view of the shortage of previous studies, there might be great potential for new research in this field. A specific line of study could include new variables that might influence CEOs' behaviour, such as their values (Agle et al., 1999) or the training they received (Ghoshal, 2005).

Two important business implications can be drawn from this study. Since ownership concentration is seen to be a positive factor for explaining the adoption of socially responsible business actions, our findings suggest that, when such actions are to be adopted in companies in which the ownership structure is more diverse, mechanisms are required to make up for the positive effect created by the presence of a shareholder with a large stake. Such mechanisms could include the entry of representatives of all stakeholders in the company's decision-making bodies or, at least, consideration of their interests by holding systematic meetings in which they can make their claims. There will anyway always be interest groups that are affected by companies' actions but that do not have sufficient influence, and their rights should be guaranteed by the Public Administration. This is partly being achieved by legislation in different areas (labour, environment, etc.) and by the need to comply with socially responsible practices to participate in public tenders.

In addition, CEOs seem to play an important role in achieving the objectives of large shareholders in the field of CSR. In fact, although both parties can exert an influence on the implementation of socially responsible business practices, it is the top managers that take the final decisions. This means that large owners interested in CSR are more likely to achieve their objectives in this area if their CEO management profile is closer to the steward model as their interests are more likely to be shared. More specifically, the importance of this alignment between the CSR objectives of the two parties should be taken into account by large owners because of their possible influence on the choice of CEOs in the companies in which they hold stakes.

Funding

This work was supported by the Ministerio de Ciencia e Innovación [Research Project ECO2012-35439] and the Consejería de Educación de la Junta de Castilla y León [Research Project LE004A10-1].

Notes

1. The response rate achieved was 4.3%, which amounts to a sample error of 8.65% with a confidence level of 95%.
2. Considering a possible problem of endogeneity between ownership structure and CSR practices, the latter refers to 2008 while ownership concentration and the control variables mentioned below are for 2006. In a cross-sectional analysis like ours, lagging the independent variables provides a possible solution to a problem of simultaneity bias and double causality. However, ownership structure proved to be relatively stable over time when the value given by each company for 2006 (the value used) was compared with that for 2008 (the year of the CSR practices) or with the average for 2005–2008; there were no significant differences between these three values.
3. The estimates were repeated considering *firm profitability* as additional control variable measured alternatively as economic or financial profitability (ROA and ROE). The results did not change and neither of the two profitability proxies was statistically significant. However, since the estimates can only be rigorous and efficient if there is a minimum of about 18–20 observations for each explanatory variable included in the models and bearing in mind the size of our simple, the decision was taken finally to not include this variable in the analyses. Moreover, although it might seem theoretically justifiable to consider profitability as a determinant of CSR, this is not so in the case of the type of managerial profile.
4. Robust models were also estimated considering a possible problem of heteroscedasticity, and the results did not vary significantly.

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Appendix 1. Scales used in the research

CSR practices:

(0 = No and 1 = Yes)
Iso9001. The company holds ISO 9001 certification.
Iso14001. The company holds ISO 14001 certification.
Ohsas18001. The company holds OHSAS 18001 certification.
Code of Ethics. The company has a Code of Ethics.
SR Report. The company has a Social Responsibility Report.

CEO management profile (agent–steward):

(Scale from 1 to 7, where 1 = Totally disagree and 7 = Totally agree)
Profile 1. I need to feel proud of my own work.
Profile 2. I am always committed to the company's goals.
Profile 3. The staff identifies with me and tries to act as I do.
Profile 4. The firm confronts increased uncertainty through more empowered employees.
Profile 5. The top managers take most decisions after consultation with subordinates.
Profile 6. The staff is encouraged to express their own ideas and opinions.