Impact of Corporate Governance on Corporate Social Responsibility in Family Owned Enterprises in Lebanon

Sun Young
School of Management, Shandong University, Ji Nan Shi, Shan Dong Sheng, China.
youngsu@sdu.edu.cn

Correspondence should be addressed to Sun Young: youngsu@sdu.edu.cn

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Abstract – The Corporate Governance (CG), also known has corporate control, and Corporate Social Responsibility (CSR) are correlated whereby; the systems of CG tend to affect CSR practices. This study examines the role of CG elements; specifically, the BOD (Board of Directors) and AC (Audit Committees) on CSR operations of Family-Owned Enterprises (FOEs) in Lebanon. It also looks at the controlling factor of the family members' involvement in the decision-making process. This research adopted a cross-sectional quantitative design where data was obtained from 203 FOEs using a self-completion survey questionnaire. With reference to the research hypotheses, we employed Structural Equation Modeling (SEM) to test the relationship between CG and CSR. The results highlighted that audit committees are effective in increasing CSR with regard to health by 0.375, refugees by 0.458, and environmental community by 0.379 while BOD impact on CSR was almost negligible. However, family involvement was found to moderate these relationships, where higher level of family involvement enhanced the audit committee's positive influence on CSR. In FOEs where there was low family involvement, the BOD played a bigger role in CSR with regards to health (p-value = 0.042). This means that perhaps the BOD gets less interference from the families and thus performs optimally in engendering CSR. These results highlight the roles of AC and families regarding CSR performance in FOEs, providing implications for governance.

Keywords – Corporate Governance, Corporate Social Responsibility, Family-Owned Enterprises, Agency Theory, Stakeholder Theory, Classical Test Theory.

I. INTRODUCTION

Corporate Governance (CG) refers to a comprehensive phrase that encompasses the institutions, rules, regulations, conventions, and procedures that guide organizations and businesses in their management, administration, and actions towards different operations. It functions to fulfill the organization's objectives and oversees the relations among stakeholders, including shareholders and the board of directors. CG also defines individuals roles using a technique that mitigates the principal-agent conflict within the company. Effective CG is a crucial criterion for creating the favorable investment climate required for competitive companies to secure a robust position in effective financial marketplaces. Effective CG is fundamental for economies with good commercial foundation and also enhances entrepreneurial success.

Corporate Social Responsibility (CSR) is defined as a process aimed at ensuring accountability for a firm's activities and developing a beneficial impact through its activities on shareholders, environment, communities, employees, consumers, and all other public domain members regarded as stakeholders. CSR is a global concern; for instance, the Eiffel Tower employs Green Carbon, Singaporean supermarkets have ceased the sale of shark fin products, and environmental organizations have expressed approval. Additionally, Green initiatives prompt governmental participation in forums, thereby broadening business opportunities. World-class international exhibitions are establishing a new trend that harmonizes aesthetics with environmental conservation. Furthermore, international news has criticized Korean luxury goods companies for their insufficient awareness of social responsibility.

The performance of Lebanese firms relative to their true potential is considered subpar due to the many scandals and breakdowns the nation has seen throughout the years. Family enterprises in Lebanon, like any small, big, international, or multinational corporations outside, have a similar structure with some variations contingent upon the nature and scale of the company. Each unit of the corporation may have a president or chairman. Departments may be organized vertically or horizontally according to the business' needs. A board of directors may be constituted, or an alternative model of professional management will be used. A distinguishing feature of Lebanese family enterprises, in contrast to foreign counterparts, is the prevalence of management roles occupied by family members, including sons, cousins, in-laws, and other relatives. This may have detrimental effects on performance and leadership due to the absence of merit and incentives among workers, particularly in big family enterprises operating globally. Regrettably, Lebanon lacks a formal legal definition categorizing firms as small, medium, or big. The primary commercial legislation defining these entities is French law, which categorizes enterprises into SAL (Société Anonyme Libanaise), SARL (Société Anonyme Responsabilité Limitée), and sole proprietorships.

Family enterprises in Lebanon have a crucial role as contributors to innovation and as key participants in local economic growth. Various studies have highlighted significant and enduring barriers to innovation, including insufficient enforcement of intellectual property, a constrained market, inadequate training on innovation, little research and development, and deficient infrastructure Nevertheless, the innovation survey has yielded unexpected findings about these challenges, largely contradicting the perception of passive entrepreneurs confined to established markets [1, 2]. These studies generally support the notion that business practices, particularly in the context of SMEs that are family-owned and controlled by relatives, are resistant to innovation. However, the little empirical research on entrepreneurship for this specific subject indicates a notably proactive approach to innovation, especially among SMEs. It is unequivocally evident that there is a deficiency in institutional innovation, particularly among banks and other financial institutions, which are perceived as conservative.

Additionally, there is an absence of institutional support and infrastructure from the state, coupled with a highly volatile and swiftly evolving market to which firms must adjust. The Lebanese research and innovation landscape has been extensively detailed. Lebanon has had many experiences to foster an 'entrepreneurship ecosystem,' particularly due to post-civil war challenges and ongoing political instability, which result in significant emigration and regional volatility. Among the several efforts, the most notable has been the establishment of Berytech in 2001, which is perhaps the most successful business incubator in the MENA area. Berytech has accommodated over 170 businesses, supported more than 2,000 entrepreneurs via various outreach initiatives, awarded over USD 350,000 in start-up grants, and capitalized in excess of US$ 5 million in Lebanese technology firms [3].

Moreno-Menéndez and Casillas [4] observe that family enterprises are comparable to non-family enterprises across several aspects of social responsibility. Family companies lower scores in four dimensions of “executive compensation”, “stakeholder engagement and shareholders’ structure”, and “control and audit strategies.” Additionally, the scholars examine the social control of a unit of a non-family enterprises and publicly-traded family. Utilizing the KLD measure of social control, they identify an inverse correlation between family company status and subpar social control; nonetheless, they find scarce proof linking CG to the social control of firms. The results indicate that CG influences the link between the degree of social control, and family control.

This study aims to establish the degree to which CG mechanisms affect CSR performance in Lebanese FOEs; given that family has a major influence on business related decisions. The work also seeks to investigate moderating influence of the involvement of members of a family within the BOD meetings and the CG-CSR nexus. The remaining sections have been organized as follows: Section II reviews related works on business performance and corporate governance, including FOEs. Section III presents a theoretical framework, which includes the agency theory, stakeholder theory, and the classical test theory. Section IV discusses the conceptual framework, and presents the hypotheses of the study. Section V focusses on the dataset and study design, which follows a quantitative research design. The findings of the study such as the outer model, measurement framework, and the structural models have been discussed in Section VI. Lastly, Section VI concludes the research emphasizing its practically in FOEs.

II. RELATED WORKS

The domain of CG encompasses a comprehensive array of topics, with a focus on financial success. A multitude of research have examined the correlation between Business Performance (BP) and Corporate Governance (CG). Most research indicated a favorable association. Despite the intuition that effective governance correlates with superior business performance, solid data supporting this relationship remains elusive, and findings have been inconsistent.

Abueid, Adam, and Galadima [5] established that board configuration was a highly influencing factor among the essential elements of the Corporate Governance Quotient (CGQ). A favorable link was also identified between industry-based CGQ ratings and fiscal performance metrics, integrating profitability, shareholder returns, and dividend yields and distribution. The scholars reviewed the correlation between financial success and CG ratings, finding a favorable albeit statistically insignificant association between the two. This result aligns with the findings of Prasad, Green, and Heales [6], who further discovered that organizations with effective structures of governance and enhanced stakeholder rights have greater company value, profitability, and sales growth. The scholars examined the correlation between financial success and CG ratings, discovering that firms in the GMI’s top 10% global database attained superior Return on Capital (ROC), ROE, and ROA compared to those in the bottom 10%.

Safiullah and Shamsuddin [7] discovered that enterprises with superior governance provide elevated risk-adjusted returns. They asserted that improved corporate governance is the catalyst for superior performance, rather than the reverse. The scholars determined that effective company governance promotes long-term profitability and is indeed beneficial. There is a noticeable intersection between CG and CSR. Specifically, in the context of the larger understanding of CG, it is evident that effective governance requires accountability and consideration of the interests of all principal stakeholders, as well as ensuring that corporations are accountable to all stakeholders. Consequently, there exists a distinct correlation between this interpretation of CG and the stakeholder perspective of CSR, which regards businesses as accountable to a multifaceted network of interconnected stakeholders that support and enhance the firm's value. In contrast, several CSR academics underscore the need of maintaining exemplary internal governance, especially regarding the internal aspects of CSR.

Ghazzaoui, Tout, and Nemar [8] assert that the primary disadvantage of family-based enterprises in Lebanon is the absence of autonomy necessary for overseeing the company's operations. Prior research indicates that the oversight of family companies differs from that of commercial enterprises. The financial crisis impacted the global economy. Financial analysis and profitability assessment are crucial for a company's viability. There are many recommendations for ensuring a firm remains viable and profitable even under challenging circumstances. Family enterprises need to use familial metrics to oversee and assist their operations during economic downturns. It is preferable for a corporation to have a follower position rather than a leader one.

Hamra et al. [9] posits that inadequate formal governance is anticipated in less-developed nations, including Lebanon. Due to governmental inadequacies in governance, private organizations are tasked with fulfilling basic criteria and enforcing rules. By establishing its own order, the issue "transforms from an arms-length contract enforcement into an agency issue in CG"; and shifts (Economic Governance) among several economic units into CG inside a single unit. It is essential to recognize that several elements may affect corporate governance, including regulatory and legal frameworks, labor market and capital structures, and competitiveness in the product marketplace. In developing countries, corporate governance procedures may be absent, and when there, they are often weak and inefficient. Corporate governance should be evaluated within the broader structural and economic framework in which it is analyzed. It is a vital factor in enhancing microeconomic effectiveness, which "impacts the operation and development of capital marketplaces and significantly influences resource allocation."

III. THEORETICAL FRAMEWORK

Agency Theory

Corporate Governance (CG) engenders conflicts of interest, whether in a nation or an organization. The principal-agent conflict, traditionally examined through specific models such as the Berle and Means' 1932 agency theory, is a crucial element of "incomplete contracts" necessitating the alignment of interests between agents (specialized professional managers), and principals (risk-bearing stakeholders). The theory recognizes the apprehension by Abbasi [10] regarding the division of control and ownership within firms, prompting Torchia and Calabrò [11] to assert that the autonomy of external directors enhances accountability and transparency in managerial oversight.

Agency theorists acknowledged the conceptualization of the monitoring objective of boards, which delineates the possibility for conflict stemming from the division of duties. This conflict is inevitable since individuals are self-interested and self-serving instead of being altruistic. By attempting to fulfill his or her self-interest via various acts, the agent may jeopardize the financial assets of the principals. The distinction between management and ownership is the fundamental issue. It can only be reduced or eradicated under two conditions: firstly, if a sole proprietor operates the business, and secondly, if there is no distinction between ownership and management. This applies to the majority of family enterprises. Soler, Gemar, and Guerrero-Murillo [12] assert that family enterprises vary from non-family firms.

Stakeholder Theory

Stakeholder theory (ST) refers to a model of organizational management and corporate ethics. ST posits that companies seek to provide various merits for various shareholders, defined as groupings and people who may be influenced or influence the firm, including suppliers, shareholders, governments, workers, consumers, communities, and civil societies. The idea of ST originated in the 1960s when the Stanford Research Institute introduced the notion that companies need the backing of both shareholders and stakeholders to survive and prosper. Consequently, a distinct imperative was established between optimizing dividends for shareholders and addressing the requirements of stakeholders. Nonetheless, it was not until the early 2000s that ST significantly emerged in leading business journals, and since that time, the corpus of information about ST has more than doubled.

To enhance comprehension of value co-creation with external stakeholders in family-owned SMEs, we use SDL as our theoretical framework. SDL asserts that service is the foundational element of business, with service being traded for service. Grönroos and Gummerus [13] assert that the principles of this logic may be effectively applied to any two service systems, including both the end customer and other external stakeholders of the core company. This has prompted extensive academic discussions over the essence of value co-creation, leading Nenonen and Storbacka (2010) to assert that, in theoretical accordance with SDL, the locus of value co-creation exists among diverse participants within the networked market. This theoretical framework is well aligned with the organizational setting of family-owned SMEs, since recent research suggests that their engagement with external stakeholders via networks of communication depends on knowledge resources.

Classical Test Theory

Classical Test Theory (CTT) has been established to compute measurements error and address associated issues, such as adjusting apparent correlations between variables for attenuation caused by measurement errors. The fundamental principles of CTT are the real measurements error and score variables. These ideas are delineated as certain conditional expectancies and their residues, correspondingly. The characterisations of these categories inherently suggest some features that were regarded as axioms in the first presentations of CTT. CTT models incorporate hypotheses concerning error variables and true score variables, facilitating the identification of theoretical variables from covariances and variances of observable measurement (test scores). Several consequences of the hypotheses underlying CTT frameworks may be objectively examined by structural equation modelling.

IV. CONCEPTUAL FRAMEWORK AND HYPOTHESES

"Corporate governance" refers to the procedures, institutions, and systems that affect the management and oversight of companies. In this sense, "control" refers to the manner in which stakeholders and external agencies affect people tasked with directing and managing corporate operations, while "direction" pertains to the strategic administration and guidance of the organization. A comprehensive "control and directions" interpretation includes the influences and roles of capital market members, regulatory agencies, governments, existing debtholders and shareholders, special interest and community groups, customers, suppliers, managerial labor markets, as well as internal stakeholders such as executive managers, directors, and other workers. Restrictive conceptions of "direction and control" often emphasize the roles of prominent shareholders, directors, and top management.

Corporate social responsibility (CSR) is a genuine responsibility to society, in accordance with the idea that companies need to distribute a portion of the advantages derived from the management of extensive resources. Corporate Social Responsibility extends beyond financial, ethical, and legal commitments that generate profits. CSR is described in different ways, based on specific component of CSR under investigation. A detailed definition posits that CSR mandates firms to consider specific interests of all shareholders, illustrated as groups or individuals who are influenced or influence by the company's activities and decisions. A firm-centric definition posits that social responsibility encompasses activities, which advance a societal objective, beyond the mandates of the law, economics, and ethics. A political economy-based definition asserts that firms are obligated to rectify market hazards, including governmental failings, and negative externalities, such as state limitations that lead to abuses of worker rights.

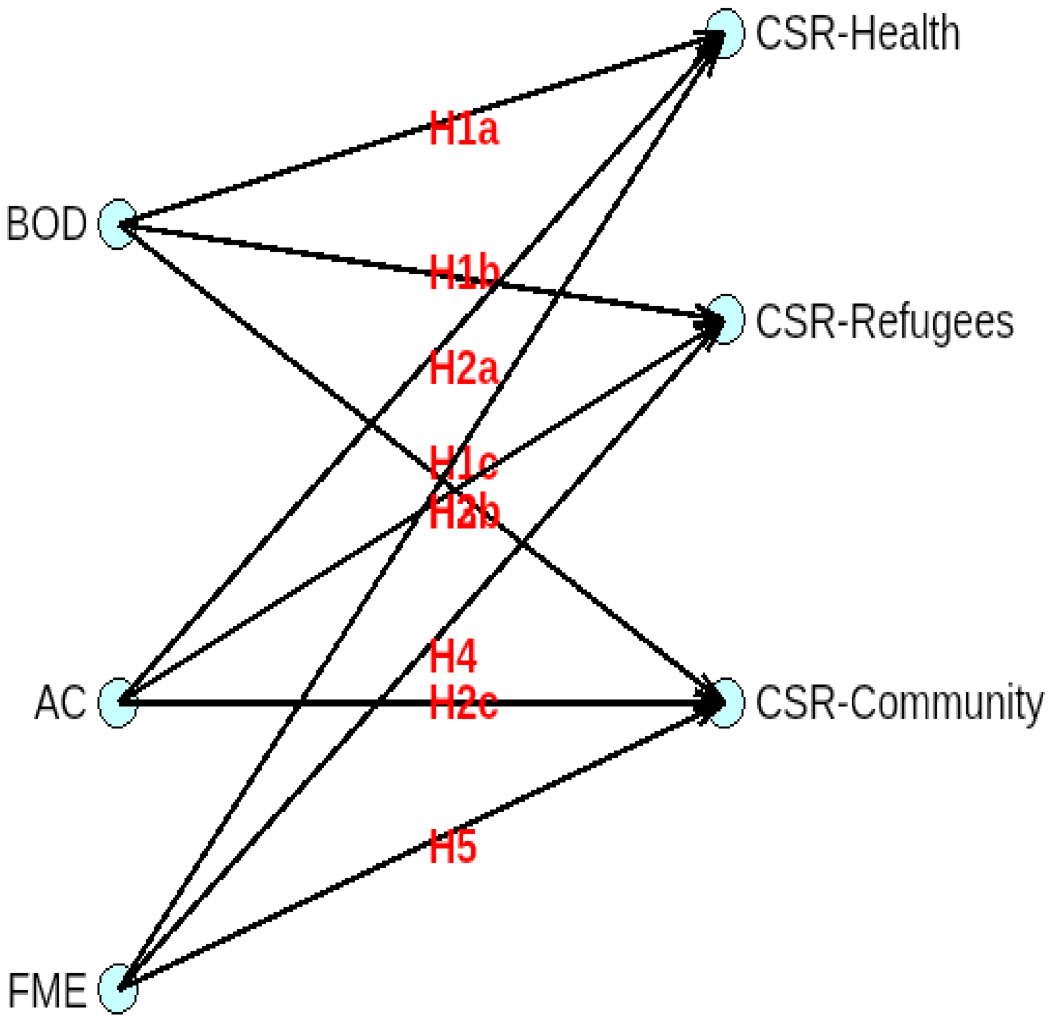

Fig 1. Conceptual Framework (Notes: FME – Family Member Engagement; AC – Audit Committee; BOD – Board of Directors; CSR – Corporate Social Responsibility)

This research seeks to identify the varying degrees of CSR and CG adopted by different Lebanese FOEs. This article will investigate the favorable correlation between CG and CSR. This will investigate if elevated corporate governance leads to enhanced corporate social responsibility. The specific elements that facilitate CSR must be determined, along with the moderating influence of family involvement on these connections. Said, Zainuddin, and Haron [14] investigated the correlation between corporate governance attributes and CSR disclosure across 150 publicly listed Malaysian firms. A content analysis approach was established for the formulation of a CSR disclosure index for each firm, using yearly disclosures and corporate websites, based on prior academic research. Furthermore, Tan, Comino, and George [15] demonstrated a substantial correlation between the establishment of CG systems and CSG initiatives. Consequently, the following hypotheses are established, focusing on BOD and AC as the two components of CG under examination. There exists a favorable correlation between the Board of Directors element of CSR and CG activities.

Hypothesis 2. A favorable correlation exists between AC element of CG and CSR initiatives.

Moreover, Adams, Hoejmose, and Kastrinaki [16] identified a correlation between increased management ownership and a greater likelihood of charitable contributions and donations. The scholars similarly established a favorable correlation between management control and corporate philanthropy as well as social performance. In recent decades, scholars and practitioners have concentrated significantly on corporate philanthropy as a crucial element of CSR, resulting in a substantial volume of publications across several disciplines on this subject. Halkos and Skouloudis [17] address significant information gaps about corporate philanthropy and its correlation with business performance by examining corporate philanthropy via a multi-level approach and using several theoretical frameworks. Consistent with this research, *Hypothesis 1* and *Hypothesis H2* are elaborated see **Fig 1** to analyze the link between every CSR and CG element individually as below:

Hypothesis 1a. A favorable correlation exists between CSR and BOD concerning health.
Hypothesis 1b. The board of directors and CSR's attitude regarding refugees are positively correlated.
Hypothesis 1c. A favorable correlation exists between CSR and BOD concerning community and environmental impact.
Hypothesis 2a. A favorable correlation exists between CSR and audit committee concerning health.
Hypothesis 2b. A favorable correlation exists between CSR and audit committee for refugees.
Hypothesis 2c. A favorable correlation exists between CSR and audit committee for community and environmental impact.

Moreover, Wu et al. [18] argued that the competitive rivalry of family-oriented enterprises is in their governance structure, which promotes the development and use of social capital. Given that family-owned enterprises in Lebanon are inherently philanthropic, it is anticipated that the significant engagement of family members in management and oversight mediates the connection between CSR and CG. Consequently, we formulated the following hypotheses 3 and 4.

Hypothesis 3. The involvement of family members influences the interaction between the Board of Directors element of CSR and CG initiatives.
Hypothesis 4. The interaction between audit committee part of CSR and CG practices is moderated by family member participation.
To examine the controlling influence of members of a family on the interactions between 2 CG elements and the 3 CSR elements, Hypothesis 3 and Hypothesis 4 are correspondingly elaborated:
Hypothesis 3a. Engagement of family members controls the link between the efficacy of CSR and BOD about wellbeing.
Hypothesis 3b. Engagement of family members controls the association between the efficacy of CSR and BOD toward immigrants.
Hypothesis 3c. The involvement of family members controls the association between the efficacy of the BOD and CSR for society and environmental outcomes.
Hypothesis 4a. The engagement of family members controls the association between the efficacy of CSR and AC concerning health.
Hypothesis 4b. Engagement of family members controls the association between the efficacy of CSR and AC towards refugees.
Hypothesis 4c. The involvement of family members controls the link between the efficacy of CSR and AC for the community and environment.

V. DATA AND METHODS

Dataset for our statistical research were obtained using a self-oriented questionnaire. The survey was sent to workers of FOEs functioning in Lebanon. The majority of FOEs were chosen from the dataset of records of Entrepreneurship & Family Business Programs at the American University of Beirut, Lebanon. From 320 surveys sent by email, 212 got discarded, with 203 deemed useable, resulting in feedback rate of 63%. Our survey includes 3 sections, and including a total of 30 survey questions. The initial 3 sections have 5-point Likert scale inquiries (ranging from firmly disagree to firmly agree), whilst the final section consists of inquiries on choice determinants. These sections include:

- Items assessing CG: Out of fourteen objects employed to evaluate the prerequisites and attributes of CG, twelve objects were chosen for this research.
- Inquiries measuring CSR: Thirteen questions were chosen for this research according to Fatma, Rahman, and Khan's scale of CSR aspects [19], which include health, refugees, community, and environment, as shown in the list of CSR constructs in **Table 1** and **Table 2**.

Table 1. CG Constructs Objects

Code	Object
BODIND1	The members have a sufficient number of independent members
BODKNO2	The members possess enough expertise and experience
BODTIME3	The members possess sufficient timeframe to do their duties efficiently.
BODMTG4	The annual frequency of board meetings is enough.
AUDIND1	The audit committee comprises independent individuals.
AUDFIN2	The quantity of fiscally knowledgeable members of the audit committee is enough.
AUDPLN3	The AC endorses the internal audit report and significant modifications to it.
AUDRPT4	The AC evaluates the internal audit plans.
AUDHDR5	The AC assigns, assesses the effectiveness of, and terminates internal audit head.
AUDCLB6	Effective coordination between the AC and internal auditors
INTCTL7	The internal control processes outlined in policy documents are efficient.
INTAPP8	The internal control processes outlined in policy documents are effectively implemented.

- Inquiries about business demography (firm size, Board of Directors (BOD) size, occurrence of yearly board meetings, variations in debt-to-equity ratio, and average annual sales).

Table 2. Items of the CSR Constructs

Code	Item
HLTHCHL1	Healthcare support for disadvantaged and handicapped children.
HLTHCNR2	Supporting oncology hospitals.
HLTHWOM3	Hospitals for women and children will incur the operating expenses.
RFGSHTR1	Offering asylum for war displaced individuals.
RFGCLOT2	Distributing warm clothing to anyone impacted by the conflict.
RFGFOOD3	Distributing sustenance to those impacted by the conflict.
SPRTORG1	Diverse sporting groups.
SPRTSPN2	Providing sponsorship for many national and international sports and events.
STCHSUP3	Enhancement of the circumstances of street children.
PLNTTRS4	Establishing arboreal growth to enhance the nation's greenery.
ENVACTN5	Facilitating governmental and commercial initiatives aimed at environmental protection.
ENVEQPM6	Operational expenses of environmentally sustainable equipment and facilities.
ENVPRMO7	Advancing environmental consciousness among the community with promotional instruments.

Study Design

Our study follows a quantitative research design. The results will be quantitatively assessed and analyzed using various numerical software tools. Furthermore, the article includes both exploratory and descriptive characteristics. Exploratory research is prioritized as it creates and investigates the link between CG and CSR. The research's target demographic comprises FOEs functioning in Lebanon. This study employs a survey with both Likert scale-type and decision determinant items. The Lebanese IFOB (Institute of Family-Owned Businesses) will disseminate the questionnaire to various family-owned enterprises.

VI. RESULTS AND DISCUSSION

The participants' demographic statistics are encapsulated in **Table 3**.

Table 3. Demographics

Firm size (No. of workers)	(1) > 1,000 (22.2%); (2) 201 – 1,000 (38.9%); (3) 50 – 200 (20.2%); (4) < 50 (18.7%)
Size of BOD (No. of members)	(1) 1 – 4 (37.41%); (2) 5 – 10 (30.01%);

	(3) > 10 (33%)
No. of yearly BOD conferences	(1) 1 – 3 (12.31%); (2) 4 – 6 (57%); (3) > 6 (31%)

Outer Model

All CSR items had significant load (with p-value as 0.000) and were employed to derive scores for every measurement: refugees, health, and environment and community ratings. Every element of CG demonstrated significance with 0.000 p-value. About 2 corporate governance components were utilized to derive ratings: the BOD ratings and AC ratings. **Table 4** presents the factor load for every latent component.

Table 4. Measurements of the Exterior Model

Variables	Patent variable label	Initial model	95% Lower bound	95% Upper bound	*p*-value
CG					
BODIND	BODIND1	0.705	0.587	0.705	0.000
	BODKNO2	0.863	0.810	0.863	0.000
	BODTIME3	0.886	0.839	0.886	0.000
	BODMTG4	0.856	0.797	0.856	0.000
AUDIND	AUDIND1	0.780	0.714	0.836	0.000
	AUDFIN2	0.894	0.854	0.924	0.000
	AUDPLN3	0.906	0.872	0.934	0.000
	AUDRPT4	0.935	0.911	0.953	0.000
	AUDHDR5	0.836	0.776	0.896	0.000
	AUDCLB6	0.886	0.848	0.917	0.000
	INTCTL7	0.886	0.854	0.913	0.000
	INTAPP8	0.875	0.815	0.923	0.000
CSR					
HLTH	HLTHCHL1	0.881	0.828	0.924	0.000
	HLTHCNR2	0.942	0.922	0.961	0.000
	HLTHWOM3	0.936	0.905	0.961	0.000
RFG	RFGSHTR1	0.910	0.868	0.943	0.000
	RFGCLOT2	0.949	0.924	0.968	0.000
	RFGFOOD3	0.898	0.804	0.958	0.000
CTV	CTV1	0.622	0.396	0.756	0.000
	CTV2	0.550	0.290	0.710	0.000
	CTV3	0.697	0.550	0.801	0.000
	CTV4	0.896	0.829	0.931	0.000
	CTV5	0.949	0.908	0.968	0.000
	CTV6	0.901	0.860	0.932	0.000
	CTV7	0.958	0.928	0.972	0.000

The Measurement Framework

Reliability results are indicated in **Table 5**. The findings indicate that the used measurements are dependable, with all composite reliability and Cronbach's alpha values over 0.71, ranging from 0.848 to 0.962. Furthermore, in accordance with the criteria described by Götz, Liehr- Gobbers, and Krafft [20], the AVE (Average Variance Extracted) for every metric exceeds 0.5. In statistical analysis (classical test theory), AVE quantifies the proportion of variation attributable to a construct compared to the variance resulting from measurement error. The AVE is often employed to assess discriminant validity according to the following guideline: AVE positive square root for every latent variable must exceed the highest correlation with different latent variables. In such scenario, discriminant validity is confirmed at the concept level. This principle is referred to as the Fornell–Larcker criteria. Nonetheless, in simulation frameworks, this method was not shown to be trustworthy for composite-oriented structural equation frameworks (e.g., PLS-PM), although it demonstrated reliability for factor-oriented structural equation modeling (e.g., PLSF-SEM, Amos).

Table 5. Composite Reliability

	Cronbach's α	**AVE**	**Composite reliability**
AUDIND	0.955	0.766	0.962
BODIND	0.848	0.690	0.897
CTV	0.920	0.658	0.928
HLTH	0.909	0.847	0.943
RFG	0.910	0.846	0.943

Furthermore, **Table 6** presents the results of assessing variable constructions' discriminant validity. The values in the matrix diagonals represent the AVEs' square roots. In all instances indicated, the numbers exceed the off-diagonal items inside their corresponding column and row. This corroborates our measures' discriminant validity.

Table 6. Variable Constructions' Discriminant Validity (BRD Considered as Dependent Variable)

Latent variables	**AUDIND**	**BODIND**	**CTV**	**HLTH**	**RFG**
AUDIND	*0.876*				
BODIND	0.778	*0.831*			
CTV	0.340	0.245	*0.812*		
HLTH	0.515	0.471	0.421	*0.921*	
RFG	0.472	0.374	0.401	0.684	*0.920*

The Structural Models

Bootstrap test was used to assess the relevance of route coefficients. The findings presented in **Table 7** demonstrate that *Hypothesis 2a*, *Hypothesis* 2b, and *Hypothesis 2c* were corroborated. Consequently, substantial evidence indicates that the AC element of CG integrates a considerable beneficial influence on CSR regarding wellbeing (p-value: 0.000, $\beta = 0.38$); immigrants/refugees (p-value: 0.000, $\beta = 0.46$), and environment and society/community (p-value: 0.000, $\beta = 0.378$). BOD element of corporate governance did not have a substantial influence on any CSR groups.

Table 7. Results of the Structural Framework Path Coefficients

	Mean	**Standard Deviation**	***t*-statistics**	***p*-values**
AUDIND→CTV	0.383	0.092	4.080	0.000
AUDIND→HLTH	0.376	0.100	3.707	0.000
AUDIND→RFG	0.468	0.100	4.552	0.000
BODIND→CTV	−0.046	0.102	0.485	0.626
BODIND→HLTH	0.181	0.110	1.610	0.107
BODIND→RFG	0.010	0.111	0.154	0.876

*Notes: **, * Statistical significance of .01 and .05 levels, correspondingly.*

To examine the controlling influence of engaging family member on the connections between CSR and CG, cluster study was conducted on 2 variables: family member participation in the engagement of family member involvement and BOD meetings in the process of decision-making. The study yielded 3 clusters: low, moderate, and high participation. Moderating impacts would be evaluated only within the low and high involvement categories (clusters). The initial category comprises FOEs whose relatives are significantly involved in the process of decision making. This clustering has 72 FOEs from our sample. Conversely, the cohort of enterprises exhibiting little family member involvement in the process of decision making included 68 FOEs from our experimental sample.

The ANOVA test see **Table 8** revealed significant variations in means across the three groups for every one of the two engagement measures. A multi-group analysis was performed using the aforementioned clustering to ascertain if the associations shown in the model see **Fig 1** substantially vary between family-owned enterprises (FOEs) with family members actively participating in the process of decision making and those without such involvement. There are variations in the relevance of relations between two clusters when it comes to the effect of audit committee on CSR on environment and community (where p-value is 0.0079 for significant participation and a 0.168 engagement rate that is considered low) and toward healthcare (where p-value is 0.001 for long engagements and 0.231 for short engagements).

These findings substantiate Hypothesis *4c* and Hypothesis *4a*, correspondingly, which suggests that impacts of members in the family results in a more efficient audit committee, which in turn enhances involvement in CSR related to environment, health, and community. Furthermore, there exists a disparity in the relevance of the Board of Directors' influence on Corporate Social Responsibility concerning health, with a p-value of 0.786 for high involvement and 0.042 for low involvement. In this instance, the effect is more pronounced for the low involvement cluster, thus supporting hypothesis *H3c*. The effect on refugees is substantial, irrespective of the degree of involvement. This may be attributable to the prevailing immigrant situation in Lebanon resulting from the crisis Syria. The findings indicate variations in the relevance of BOD's influence on CSR about health between the two clusters.

Table 8. Cluster Analysis

	Clusters		**Error**			
	$\frac{1}{n}\sum_{i=1}^{n} x_i^2$	f	$\frac{1}{n}\sum_{i=1}^{n} x_i^2$	**Degree of Freedom**	F	**Sig.**

Engagements in meetings	43.809	2	0.173	200	252.91	0.000
Participation in the process of decision making	18.397	2	0.062	200	295.69	0.000

VII. CONCLUSION

We focused on the importance of Corporate Governance (CG) in determining Corporate Social Responsibility (CSR) among Family-Owned Enterprises (FOEs) in Lebanon and specifically addressed the impact of the audit committee and the moderating role of family member engagement. The findings show that audit committees independence and structure reinforce the significance of CSR activities in areas like health, refugee support and environmental/community support. Nevertheless, the BOD exerted only a modest direct impact on CSR, which indicates that the audit committee is a more powerful determinant of CSR in these enterprises. In addition, the extent to which families get involved in the decision-making process acts as a moderator to these relationships. High family involvement integrates the audit committee's ability to influence CSR in a positive manner while low family involvement leads to the BOD having a stronger influence especially in the health-related CSR. These findings stress that governance in FOEs is not as straightforward as in Western MNEs because the work of governance mechanisms is heavily influenced by family relationships. The study has practical managerial implications for FOEs, which include the proposition that clarity between family involvement and governance roles will lead to better CSR performance through the improvement of audit committees. Furthermore, the firms with weak family-interference in the board might have better governance-driven CSR.

Data Availability

No data was used to support this study.

Conflicts of Interests

The author(s) declare(s) that they have no conflicts of interest.

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Competing Interests

There are no competing interests.

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