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The Moderating Effect of Corporate Social Responsibility Disclosures between Family Ownership and Firm Competitiveness

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ABSTRACT

Ownership structure remains an important determinant of firm competitiveness, with family ownership occupying a particularly prominent role in emerging markets. Given the intricate interdependence between the business and the family, family firms exhibit unique governance features that may influence strategic outcomes. This study investigates the relationship between family ownership and firm competitiveness. It also examines the moderating role of corporate social responsibility (CSR) disclosure on this relationship. The empirical analysis is conducted using a sample of 254 publicly listed Malaysian firms over the period from 2020 to 2022. The results indicate that family ownership does not exert a significant impact on firm competitiveness. Nevertheless, CSR disclosure demonstrates a significant moderating effect, reinforcing the relationship between family ownership and firm competitiveness. These findings underscore the strategic importance of CSR disclosure in enhancing competitive positioning, particularly for family-owned firms. This study contributes to the literature by integrating agency theory, entrenchment and alignment effect theory and legitimacy theory to provide a comprehensive understanding of ownership structure, CSR practices and firm competitiveness. From a policy standpoint, the results highlight the need for enhanced CSR disclosure frameworks to promote competitiveness across the corporate sector. For practitioners and managers, the findings offer actionable insights on leveraging CSR initiatives to build stakeholder trust and strengthen legitimacy towards firm competitiveness.

Keywords: Firm Competitiveness; Family Ownership; CSR Disclosure

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INTRODUCTION

Ongoing transformations in Malaysia's economic landscape and dynamic business environment are compelling firms to strengthen their competitiveness. Complex business requirements, rising client expectations, volatile market conditions, globalization and intensified competition require firms to respond with greater agility and strategic foresight. Traditionally, firm competitiveness has been associated with profitability, productivity and sustained ability to compete. Buckley et al. (1988) conceptualize competitiveness as long-term profitability, the capacity to compensate employees and the ability to generate above-average returns for owners.

Within this context, ownership structure particularly family ownership has become a significant determinant of firm competitiveness. Family controlled firms often exhibit distinctive governance attributes, including long-term orientation, concentrated decision making and strong socioemotional wealth considerations. These characteristics may enhance stability and resilience in competitive environments. However, agency theory suggests that concentrated ownership may also create principal–principal conflicts, especially when controlling family members prioritize personal or family interests over firm value. This outcome aligns with the entrenchment effect theory, which posits that dominant owners may engage in self-serving behaviour that hinder strategic flexibility and impair competitiveness (Kotlar & Chrisman, 2023). Conversely, the alignment effect theory argues that concentrated ownership may align owners' and managers' interests, motivating decisions that enhance firm performance and competitiveness.

Family ownership remains a prominent organizational form globally and is especially influential in developing economies and emerging markets (Sundaram 2019; Saidat et al. 2022). Nonetheless, as ownership becomes more dispersed, minority shareholders often have limited influence over key decisions, potentially reducing the effectiveness of strategic planning and weakening the firm's competitiveness. Such ownership dynamics also shape firms' approaches to corporate social responsibility (CSR) disclosure. Family owners may strategically manage CSR reporting to safeguard socioemotional wealth or maintain control, whereas minority shareholders typically favour greater transparency. These differences in disclosure practices influence stakeholder trust and corporate reputation; the key elements of competitiveness from the perspective of legitimacy theory, which emphasizes the role of CSR disclosure in securing social acceptance and reinforcing a firm's legitimacy.

Despite the importance of these interconnected factors, empirical evidence on the relationships among family ownership, CSR disclosure and firm competitiveness remains limited and mixed. Motivated by these gaps, this study aims to examine the effect of family ownership on firm competitiveness and to assess the moderating role of CSR disclosure. The analysis is grounded in agency theory, entrenchment and alignment effect theory and legitimacy theory, providing a comprehensive conceptual framework for understanding how ownership structure and CSR disclosure jointly influence firm competitiveness.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The literature review of this study is organised into two principal sections. The first section provides an in-depth discussion of the relationship between family ownership and firm competitiveness. The second section focuses on the moderating role of corporate social responsibility (CSR) disclosure between family ownership and firm competitiveness.

Family Ownership and Firm Competitiveness

Family ownership refers to situations where a firm is controlled by one or more families through significant equity stakes. According to Al Amosh & Khatib (2021), the family ownership refers to the percentage of shares owned by a family or its members, encompassing equity, management and operational rights. Family firms often exhibit distinct governance practices and strategic behaviours compared to non-family firms. Family ownership can influence firm competitiveness by fostering long-term strategic planning, strong organizational culture and commitment to legacy. Family firms often prioritize long-term success over short-term gains. This long-term perspective can lead to stability and firm competitiveness. Family firms tend to operate more efficiently and have greater value due to the family's strong incentive to ensure firm competitiveness.

According to PriceWaterhouse Coopers (PWC) (2012), family businesses are more productive because the owner's personal investment in the business leads to finding that family involvement has a positive impact on competitiveness in terms of financial performance. Zain (2024) found family-controlled firms perform better than government-owned firms in Malaysia. Fauzi and Musallam (2015) investigate the relationship between family and institutional ownerships and corporate performance. The results show that family ownership has a significant and positive impact on corporate performance. Agency theory posits that family-owned firms often outperform non-family ones due to the alignment of family members in ownership and management, mitigating conflicts of interest and fostering a shared goal (Koji et al. 2020).

However, the impact of family ownership on firm competitiveness is not always positive. The entrenchment theory suggests that controlling families may prioritize personal or family interests at the expense of broader firm performance (Morck et al., 1988). Family firms may also exhibit risk aversion, resistance to external input and reliance on informal governance mechanisms, which can undermine their ability to innovate and adapt in dynamic market environments (Gomez-Mejia et al., 2007). Similarly, the agency theory also suggests that family firms with concentrated ownership may prioritize family interests over those of the firm, leading to decreased performance (Abdullah et al. 2019). Family firms are sometimes criticized for poor governance practices, including exploitation of business resources for personal benefit and entrenchment. Past studies stated that nepotism can occur when key positions are filled based on kinship rather than competence, which may negatively affect firm productivity (Jaskiewicz et al. 2013). Kachaner et al. (2012) suggested that family firms might focus on resilience rather than performance, which could impact competitiveness negatively. Bennedsen et al. (2022) asserted that family firms managed by later generations often struggle to maintain the same level of competitiveness as those in the founding generation, due to more risk-averse decision-making and resistance to adopting new technologies.

In addition, Dakhlallh et al. (2019) reported that family ownership negatively impacted the performance of Jordanian firms. Muntahanah et al. (2021) aims to examine the effect of family ownership on firm competitiveness empirically in Indonesia. The inferential analysis results using a multiple regression model test show that family ownership significantly reduces firm competitiveness with corporate governance as the moderating variable. Zulfiqar et al. (2019) conducted to analyse the relationship of ownership structure with firm competitiveness for companies listed at Pakistan Stock Exchange. A recent study by Boshnak (2023) found that family ownership negatively affects both accounting and market-based performance measures. The influence of family members in the management and decision-making of corporate governance firms may negatively affect firm competitiveness. The adverse impact might derive from the concern that family interests are more emphasised than shareholders' interests in the family-owned. Therefore, this study hypothesised that:

H_1: Family ownership is negatively associated with firm competitiveness.

The Moderating Role of Corporate Social Responsibility (CSR) Disclosure

Family firms play a vital role in both developed and emerging economies. These firms are often characterized by long-term orientation, strong family involvement in strategic decisions and a desire to preserve the family legacy (Miller & Le Breton-Miller, 2006). Such attributes can foster commitment and perseverance, potentially enhancing the firm's competitiveness in the long run. Competitive advantages may emerge from stronger relationships with stakeholders, lower agency costs due to aligned ownership and control, and consistent investment in reputation-building activities (Anderson & Reeb, 2003).

Studies suggest that CSR activities, when disclosed effectively, contribute to a firm's competitive edge by improving brand equity, facilitating access to capital and attracting talent. Firms that are proactive in CSR reporting are also more likely to gain regulatory and customer support, particularly in environments with heightened social and environmental awareness. Given the mixed implications of family ownership for firm competitiveness, CSR disclosure may serve as a critical moderating factor. Family firms are often under heightened scrutiny due to perceived governance opacity and concerns of nepotism. CSR disclosure can act as a mechanism that demonstrates accountability, transparency and a broader commitment to societal welfare. This may help overcome stakeholder scepticism and improve firm legitimacy (Campopiano & De Massis 2015).

In addition, CSR reporting can institutionalize governance practices in family firms, promoting transparency and professionalism. By voluntarily disclosing CSR initiatives, family firms not only showcase their social responsibility but also differentiate themselves from competitors, thereby strengthening their competitive stance (Rees & Rodionova, 2015). This is particularly important in markets where reputational capital and stakeholder trust are essential sources of competitive advantage. Moreover, engaging in CSR disclosure can align the interests of controlling family owners with those of external stakeholders, reducing agency conflicts and reinforcing strategic coherence. This alignment may be particularly beneficial for family firms that rely on relational assets, such as trust and reputation to maintain long-term market position (Berrone et al., 2010).

Due to the mixed results on the previous studies on the relationship between implications result of family ownership and firm competitiveness, CSR disclosure may serve as a critical moderating factor. CSR reporting can institutionalize governance practices in family firms, promoting transparency and professionalism. By voluntarily disclosing CSR initiatives, family firms not only showcase their social responsibility but also differentiate themselves from competitors, thereby strengthening their competitive stance (Rees & Rodionova, 2015). This is particularly important in markets where reputational capital and stakeholder trust are essential sources of competitive advantage. Moreover, engaging in CSR disclosure can align the interests of controlling family owners with those of external stakeholders, reducing agency conflicts and reinforcing strategic coherence.

Therefore, CSR disclosure is likely to enhance the positive aspects of family ownership while mitigating its potential downsides, ultimately strengthening the relationship between family ownership and firm competitiveness. Based on these findings, this study posits that CSR disclosures play a crucial moderating role in the relationship between family ownership and firm competitiveness. Specifically, CSR disclosure may weaken the negative relationship. Therefore, the hypothesis of this study is as follows;

H_2: Corporate social responsibility disclosures weaken the negative relationship between family ownership and firm competitiveness.

METHODOLOGY

The focus of this study is to investigate the relationship between family ownership and firm competitiveness with particular attention to the moderating roles of CSR disclosure. The primary analytical tool employed in this research is content analysis. Content analysis is a method for systematically analysing textual content (Neumann 2003). This technique involves examining words, meanings, pictures, symbols, ideas, themes or any other messages that can be communicated. Content analysis has been widely utilized to assess the extent and nature of corporate social reporting (Harjoto et al., 2015; Rashid, 2018; Lu et al., 2015; Katmon et al., 2017).

Secondary data was collected from multiple sources, including annual reports of publicly listed companies, Thomson DataStream, Brand Finance website and company websites. The annual reports were sourced from the Bursa Malaysia website, which serves as a comprehensive repository of public company publications. Annual reports are a key source of information on corporate operations, including social initiatives (Campbell, 2000; Paterson & Woodward, 2006). The independent variable of this study is family ownership. Data regarding family ownership were extracted from the annual report from the list of shareholdings section.

Firm competitiveness which serves as a dependent variable in this study is divided into six indicators which are return on equity (ROE), return on asset (ROA), Tobin's Q, innovation, award and brand. Data of ROA, ROE and Tobin's Q were extracted from Thomson DataStream database, innovation and award data were extracted from annual reports and brand data were from Brand Finance website. The moderating variable is CSR disclosure which was extracted from the annual report using content analysis technique.

Sample And Data Collection

The population for this study comprises all firms listed on the Main Board of Bursa Malaysia for the years 2020 to 2022. The study focuses on this period is to capture the most recent and relevant developments in the business environment. These years also encompass the COVID-19 pandemic, which significantly disrupted firm operations, financial performance and stakeholder expectations. Analysing this period allows the study to account for firms' resilience, strategic adaptations and governance responses under unprecedented external shocks, providing deeper insights into competitiveness dynamics.

Listed firms were chosen due to the legal requirements imposed on publishing corporate governance statements, financial statements and sustainability reports (Barroso-Castro et al. 2020). The firms listed in the main market were chosen due to high market capitalisation, stringent regulations and larger impacts on various stakeholders. There were 785 public firms listed in Bursa Malaysia as of 19 January 2023. Firms listed on the Main Board are typically large corporate firms and are expected to be more engaged in social responsibility activities. Certain sectors were excluded from the analysis, including financial services, banking, insurance, trust, closed-end funds and securities. This is due to their distinct regulatory frameworks that may impact the nature of the data and the study's results (Hashim & Saleh 2007). Following the sampling guidelines proposed by Krejcie and Morgan (1970), a sample size of 254 firms was determined to be appropriate for this study. Table 1 provides a comprehensive summary of the total population and the selected sample used for data collection in this research.

Table 1
Summary of Sample Selection

	Industry	2020	2021	2022	Total
1	Industrial Products and Services	77	77	77	231
2	Consumer Products and Services	58	58	58	174
3	Property	34	34	34	102
4	Construction	17	17	17	51
5	Technology	16	16	16	48
6	Plantation	14	14	14	42
7	Transportation and Logistics	11	11	11	33
8	Energy	11	11	11	33
9	Telecommunication and Media	6	6	6	18
10	Health and Care	6	6	6	18
11	Utilities	4	4	4	12
	Total	254	254	254	762

Variables Measurements

This section details the measurement of the dependent, independent and moderating variable used in the study. The dependent variable is firm competitiveness. The independent variable is family ownership. Lastly, CSR disclosures serve as the moderating variable.

Dependent Variable

The dependent variable in this study is firm competitiveness. Firm competitiveness can be measured using both financial and non-financial criteria and is considered a construct comprising several dimensions (Sauka 2015). One of the significant challenges for researchers is to propose accurate measures of business competitiveness (Ketchen et al. 2007). Financial measures offer the advantage of widely agreed-upon definitions and straightforward calculations. However, financial performance alone does not encompass all aspects of value that are important to stakeholders. While financial performance is crucial, it is often seen as incomplete and may oversimplify the roles of various stakeholders involved in a firm's success. Moreover, Porter and Kramer (2006) argue that financial performance does not necessarily imply long-term competitiveness.

Therefore, this study measures firm competitiveness by integrating multiple dimensions: return on asset (ROA), return on equity (ROE), Tobin's Q, innovation, brand value and awards. The details of how firm competitiveness is measured are outlined as follows:

Table 2
Summary of Firm Competitiveness's Measurement

	Criteria	Definition	Scoring
Financial	Return on Assets (ROA)	ROA measures the firm's profitability by examining the EBIT ratio to total assets. In this sense, ROA serves not only as a profitability indicator but also as a gauge of the internal effectiveness and strategic deployment of resources.	"1" if its ROA surpasses the industry average, signifying above-average financial performance and resource utilization. Conversely, a value of "0" is given to firms with ROA equal to or below the industry benchmark, indicating average or underperformance.
	Return on Equity (ROE)	It is defined as the net income returned as a percentage of shareholders' equity, providing a measure of profitability by indicating the profit generated from shareholders' investments	"1" if its ROE surpasses the industry average, signifying above-average financial performance and resource utilization. Conversely, a value of "0" is given to firms with ROE equal to or below the industry benchmark, indicating average or underperformance.
	Tobin's Q	ratio of a firm's market value to the replacement cost of its assets	1" if Tobin's Q is above the industry average ratio and 0 otherwise.
Non-financial	Innovation	Innovation can integrate existing resources, foster sustainable competitive advantages and generate economic value	the amount of R&D expenditures and intangible assets reported in the annual report as measures of innovation.
	Brand	A name, term, sign, symbol, design or a combination of these elements that identifies the products or services of a particular seller or group of sellers and distinguishes them from those of competitors.	inclusion of companies in the lists of Malaysian Top 100 Brands
	Award	A firm is given a symbolic reward for good performance, combined with positive feedback and social recognition from superiors and peers.	Whether company received any national/International awards

Independent Variables

This study identified a firm as having family ownership if the largest shareholder is a family, an individual or an unlisted firm. Family control in the firm was further defined by the percentage of shareholding. Consistent with Faccio and Lang (2002), This study measured family ownership by the percentage of family-controlling shareholder representatives on the board (Amidjaya & Widagdo 2019). The direct and indirect percentages of family ownership were calculated using information disclosed in the companies' annual reports. Data on family ownership was collected from sections such as the Profile of Directors and Analysis of Shareholdings. Additionally, subsections like directors' shareholdings, substantial shareholders and the 30 largest shareholders were also reviewed to estimate the family's shareholding. The study found that most Malaysian listed firms are owned by private companies and in most cases, the owners of listed firms could be identified from the information provided in the annual reports.

Moderating Variables

The moderating variable of this study was corporate social responsibilities (CSR) disclosure. This study considers the CSR disclosure information in companies' annual reports based on two categories, environmental and social disclosures. This study employed content analysis to collect information on environmental and social reporting from the annual reports. This study measures corporate social responsibilities disclosures following (Katmon et al. 2017). They also used similar disclosure items in the Malaysian context to measure the level of CSR disclosure. This measurement is comprehensive, which covers quantitative, qualitative and narrative information rather than just quantitative information that assist potential investors to interpret and read the information easily. The disclosure covers four important categories of the CSR framework as follows:

A) Employee relations (5 Items)
B) Community involvement (6 Items)
C) Product (4 Items)
D) Environment (3 Items)

The scoring process is modified only into two categories as below.

1) Quantitative specific disclosure classification refers to the greatest weight with an assigned value of "1". The disclosure contains financial information.
2) Qualitative specific disclosure classification is the next highest weight with an assigned value of "1". This is a non-quantitative disclosure with specific CSR information.
3) Qualitative specific disclosure classification refers to the lowest weighted value of "0" if the CSR-related description is generic.
4) Companies that failed to disclose any kind of CSR information for the respective items will be given a score of "0".

Empirical Models

This study employs multiple regression models to test the relationships between the variables, as outlined in the hypothesis development section. The models are designed to evaluate the impact of family ownership on firm competitiveness and CSR as a moderating variable. Model 1 is the regression model to test the direct relationship between family ownership and firm competitiveness. The dependent variable is firm competitiveness, and independent variables are family ownership and eight control variables. Their equation is as follows:

$$FC_{it} = \beta_0 + \beta_1 FOWN + \beta_2 FSIZE + \beta_3 FAGE + \beta_4 LEV + \beta_5\, GROWTH + \beta_6 BSIZE + \beta_7\, BIND + \beta_8 RMCSIZE + \beta_9\, BIG4 + \varepsilon_{it} \quad (1)$$

Where,

i	=	Refers to Firm
t	=	Refers to Year
β	=	Intercept
FC	=	Firm Competitiveness
FOWN	=	Family Ownership
FSIZE	=	Firm Size
FAGE	=	Firm Age
LEV	=	Leverage
GROWTH	=	Growth
BSIZE	=	Board Size
BIND	=	Board Independent Director
RMCSIZE	=	Risk Management Committee Size
BIG4	=	Big 4 Auditor
ε	=	Error Term

Model 2 is the second regression model to test the moderating effect of corporate social responsibility disclosures in the relationship between family ownership and firm competitiveness as shown in the regression model below.

$$FC_{it} = \beta_0 + \alpha FOWN + \alpha CSR\ DISCLOSURE + \alpha\ (FOWN\ x\ CSR\ DISCLOSURE) + \sum Control + \varepsilon_i \quad (2)$$

RESULTS

The descriptive results and empirical findings reported in this study were generated using STATA version 17 statistical software for econometric and data-driven analysis. The application of STATA 17 enables rigorous data management, precise computation of descriptive statistics and robust estimation of empirical models.

Descriptive Statistics for Firm Competitiveness, Family Ownership and CSR Disclosure

Table 3 provides descriptive statistics for all dimensions of firm competitiveness. The first to third dimensions classified as financial and evaluated using return on equity (ROE), return on asset (ROA) and Tobin's Q. The average ROE was 0.031, with a minimum value of -17.878, indicating that some firms reported losses during the year, and a maximum value of 10.915. The average ROA was 0.037, with a minimum value of -0.646, indicating that some firms reported losses during the year, and a maximum value of 1.028. For Tobin's Q, the mean value was 0.211, with a minimum of 0.001 and a maximum of 1.005.

Non-financial dimensions of firm competitiveness comprised innovation, brand and award. The fourth dimension of firm competitiveness is innovation. The mean value of innovation expenditure was RM6,149,896.7 with a minimum of 0 and a maximum of RM1,012,319,000. The fifth dimension of firm competitiveness is brand value. The mean value of brand value was 0.052, with a minimum of 0 and a maximum of 1. The final dimension, awards received by the company, ranges from a minimum of 0 (indicating no awards) to a maximum of 43 awards over three years.

Table 3

Descriptive Statistics for Firm Competitiveness Dimension

No	Dimensions	Mean	S. D	Min	Max
1	ROE	0.031	0.884	-17.878	10.915
2	ROA	0.037	0.116	-0.646	1.028
3	Tobin's Q	0.211	0.175	0.001	1.005
4	Innovation (RM)	6149896.7	64609698	0.000	1012319000
5	Brand Value	0.052	0.223	0.000	1.000
6	Award	0.974	0.373	0.000	43.000

The study converted the six dimensions of firm competitiveness into a composite index, with a maximum possible score of 6. The data in Table 4 illustrate that the mean score of the firm competitiveness index increased from 0.941 in 2020 to 1.134 in 2022, with the maximum achievable score remaining at 6. This upward trend suggests a growing recognition of the importance of firm competitiveness among the companies over the observed period.

Table 4

Firm Competitiveness Index based on Year (n=254)

Score	Mean	S. D	Min	Max
Year 2020	0.941	0.825	0	6
Year 2021	0.921	1.018	0	6
Year 2022	1.134	0.969	0	6
Overall Firm Competitiveness	1.181	1.031	0	6
Firm Competitiveness Index	0.2362	0.206	0	1

Table 5 provides descriptive statistics for family ownership. For the year 2020, the maximum percentage of family ownership was 85.69%, while the minimum was 0%. In 2021, the maximum percentage of family ownership was 74.62%, with the minimum remaining at 0%. For the year 2022, the maximum percentage of family ownership was 74.13%, and the minimum was 0%.

Table 5

Descriptive Statistics of Family Ownership

Year	Mean	S. D	Min	Max
2020	29.714	20.098	0	85.69
2021	29.428	20.042	0	74.62
2022	29.39	19.738	0	74.13
Overall (n=762)	29.511	19.934	0	85.69

Table 6 presents the descriptive statistics for each specific category of CSR disclosure dimensions for the years 2020, 2021 and 2022. The average score for Employee Relations was 0.996 out of a maximum of 5. For Community Involvement, the average score was 0.65 out of 6. The average for Product was 0.56 out of 4, while the average for Environment was 0.776 out of 3. Table 7 shows that the average CSR disclosure score for companies was 2.346 out of 18 (13.03%) in 2020. In 2021, this average increased to 3.134 out of 18 (17.4%). By 2022, the average score further rose to 3.465 out of 18 (19.25%). The overall average CSR disclosure score over the study period was 2.982 out of 18 (16.6%), which is slightly lower than the 21.9% reported in the previous study by Katmon et al. (2017), which measured an average of 13.18 out of 60. However, the increasing trend in CSR disclosure from 13.03% in 2020, to 17.4% in 2021, and 19.25% in 2022 suggests a progressive improvement in CSR disclosure among Malaysian firms.

The observed upward trend in CSR disclosure may be attributed to various incentives and awards (Anas et al., 2015) and the mandatory CSR reporting requirements imposed on Public Listed Companies (PLCs) by the Malaysian government (Ahmed Haji, 2013). This steady increment in CSR disclosure from 2020 to 2022 aligns with findings from previous Malaysian studies (Esa & Mohd Ghazali, 2012; Ahmed Haji, 2013; Katmon et al., 2017). Furthermore, the introduction of the Sustainability Reporting Guidelines by Bursa Malaysia in 2015 and 2018 has likely contributed to the enhanced disclosure of CSR activities by companies to stakeholders.

Table 6
Descriptive Statistics for CSR Disclosure

Categories	Mean	S. D	Min	Max
Employee Relations	0.996	1.564	0	5
Community Involvement	0.650	1.207	0	6
Product	0.560	1.198	0	4
Environment	0.776	1.261	0	3
Corporate Social Responsibilities Disclosure	2.982	4.722	0	18

Table 7
Average CSR Disclosure Score

Year	Mean	S. D	Min	Max
Year 2020 (n= 254)	2.346	4.061	0	18
Year 2021 (n= 254)	3.134	4.899	0	18
Year 2022 (n= 254)	3.465	5.091	0	18
Overall (n= 762)	2.982	4.722	0	18

Regression Results

Before conducting hypothesis testing, it is essential to undertake a preliminary analysis of the collected data. In this study, a preliminary analysis was carried out to identify any missing values within the dataset. Furthermore, the study employed several diagnostic tests, including normality, multicollinearity, heteroscedasticity and serial correlation tests. These tests are fundamental prerequisites for the application of multiple linear regression (Field, 2009).

Family Ownership and Firm Competitiveness

The first hypothesis investigates the effect of family ownership on firm competitiveness. It hypothesized that higher levels of family ownership are associated with a decrease in firm competitiveness. The regression analysis results are detailed in Table 8. The coefficient for family ownership was -0.033 ($t = -1.020$, $p < 0.05$)) indicating an insignificant relationship with firm competitiveness. This finding did not support hypothesis 1, which posits that higher levels of family ownership are associated with a decrease in firm competitiveness. The R-squared value for Model 2 was 0.2808, suggesting that 28.08% of the variation in firm competitiveness is explained by the predictors included in the model.

This finding aligns with recent research that emphasizes the complexity of the relationship between family ownership and firm performance. Studies suggest that the impact of family ownership can vary significantly depending on a range of factors, such as the specific industry, organizational culture and the way family involvement is structured within the firm. Jaskiewicz et al. (2024) highlight that the relationship between family ownership and firm performance isn't straightforward, it depends on how ownership aligns with involvement in the company's board. When family members hold more board positions than their ownership stake justifies, it can lead to internal power struggles (principal–principal conflicts) that may harm performance. On the other hand, if they have significant ownership but little say on the board, traditional principal–agent problems can arise. The study points to a delicate balance between ownership and board involvement as key to maximizing firm performance.

Alignment theory provides a contrast view, emphasizing that when family ownership is structured in a way that aligns the goals of family owners with those of the firm, performance outcomes can be positive. However, this alignment is not automatic and depends heavily on governance structures, such as board composition and CEO roles. Ling et al. (2023) developed a Family Director Board Governance Index (FBGI) to explore how family directors influence firm performance. Their results show that board setups with a high number of family members, especially when a family member also acts as CEO, can actually affect performance. This challenges the common belief that family involvement is always beneficial. Meanwhile, Ouzký and Machek (2024) draw attention to the role of culture and social capital in family firms. They found that bonding social capital tight-knit, inward focused networks doesn't necessarily boost performance.

However, bridging social capital connections that extend beyond the firm can have a positive impact. This implies that cultural context can significantly shape how family ownership plays out in practice. Hence, these studies make it clear that family ownership by itself isn't a reliable indicator of firm success. Its impact depends on how ownership is managed, the company's governance structure, cultural values and the broader environment. For both researchers and practitioners, this means looking beyond ownership percentages and considering the full picture when evaluating family firms. Consequently, hypothesis 1 is not accepted. The regression results are presented in Table 8.

Table 8

Regression Result of the Family Ownership and Firm Competitiveness Relationship

Variables	FC
Intercept	0.443***
	(5.253)
FOWN	**-0.033**
	(-1.020)
FSIZE	0.051***
	(9.714)
FAGE	-0.005
	(-0.400)
LEVERAGE	0.016***
	(3.739)
GROWTH	-0.007
	(-0.109)
BSIZE	0.005
	(1.450)
BIND	0.062
	(1.132)
RMCSIZE	0.009
	(1.148)
BIG4	0.036**
	(2.428)
R2	0.2808
Adj.R2	0.2722
N	762
F-stat	32.630
Prob>F	0.0000

FC= Firm Competitiveness comprises of six dimensions, FOWN = Family Ownership is measured based on direct and indirect percentage of ownership, FSIZE = Firm size is measured by natural logarithm of total assets, FAGE = Firm age is taken from the date of incorporation, LEV = Firm leverage is debt ratio is calculated as total debts divided by total assets, GROWTH=Growth is measured as market value divided by Total Asset-Total liabilities, BSIZE = Number of Board Size, BIND = Number of independent directors/Number of total directors, RMCSIZE = The total number of directors in RMC, BIG4= dummy variable that takes value one if the firm is audited by big 4 audit firm, and zero otherwise.

, ** and * represents significance at $p<0.10$, <0.05 and <0.01, respectively. The t-statistics are reported in parentheses.*

The Moderating Role of Corporate Social Responsibility

Model 2 investigates the moderating effect of the corporate social responsibility (CSR) disclosure on the relationship between family ownership and firm competitiveness. The study hypothesized that CSR disclosure would strengthen the relationship between family ownership and firm competitiveness. The result indicated that CSR disclosure positively strengthened the relationship between family ownership and firm competitiveness at a coefficient of 0.217

(t=1.749, p <0.005). The R-squared value for Model 2 was 0.2953 indicating that 29.53% of the variation in firm competitiveness is explained by the predictors in the model.

The result revealed that corporate social responsibility CSR disclosure moderates the relationship between family ownership and firm competitiveness positively. Based on Agency theory, it suggests that family ownership helps mitigate agency problems by aligning the interests of owners and managers, particularly in closely held firms where family members often occupy managerial roles (Jensen & Meckling, 1976). In this context, CSR disclosure serves as an external governance mechanism that enhances transparency, reduces information asymmetry and fosters trust between the firm and its stakeholders. By disclosing CSR activities, family-owned firms signal their commitment to ethical business practices, thereby strengthening their competitive position.

According to entrenchment theory, concentrated ownership may lead to the entrenchment of dominant family members, potentially prioritizing personal interests over those of minority shareholders or the long-term interests of the firm (Shleifer, & Vishny, 1988). However, CSR disclosure can serve as a reputational safeguard and accountability mechanism. By publicly disclosing their CSR efforts, family firms expose themselves to external scrutiny, which can limit entrenchment behavior and encourage ethical governance practices, ensuring that the firm remains accountable to a wider set of stakeholders. Meanwhile, alignment theory argues that family owners are motivated to act in the best long-term interests of the firm due to their socioemotional wealth and desire for transgenerational sustainability (Gómez-Mejía et al., 2007). CSR disclosure strengthens this alignment by openly showing that the family is committed to broader stakeholder interests, which in turn supports the positive influence of family ownership on firm competitiveness. By communicating their social and environmental responsibilities, family firms can use CSR disclosure to build and maintain legitimacy. This transparency helps enhance the firm's reputation among key stakeholders, including customers, investors, and the wider community.

These findings are consistent with prior research. For example, Stock et al. (2023) highlight the role of CSR in strengthening the reputational capital of family firms, while Benkraiem et al. (2017) show that family firms benefit more from CSR disclosure in terms of market valuation compared to non-family firms. These studies further support the notion that CSR disclosure enhances the strategic advantages of family ownership, particularly in terms of firm competitiveness and long-term success. This result supports hypothesis 2, affirming that CSR disclosure plays a crucial role in enhancing firm competitiveness associated with family ownership. Thus, Hypothesis 2 is accepted. The regression results are detailed in Table 9.

Table 9

Regression results of the family ownership and firm competitiveness relationship and CSR Disclosure as the moderator

Variables	FC
Intercept	0.421***
	(4.852)
FOWN	-0.069*
	(-1.802)
FOWN*CSRD	**0.217***
	(1.749)
FSIZE	0.047***
	(8.364)
FAGE	-0.005
	(-0.370)
LEVERAGE	0.016***
	(3.923)
GROWTH	-0.001
	(-0.010)
BSIZE	0.004
	(1.133)
BIND	0.061
	(1.065)
RMCSIZE	0.005
	(0.683)
BIG4	0.027*
	(1.787)
R2	0.2953
Adj.R2	0.2980
n	762
F-stat	28.573
Prob>F	0.0000

FC= Firm Competitiveness comprises of six dimensions, FOWN = Family Ownership is measured based on direct and indirect percentage of ownership, CSRD = Corporate Social Responsibility Disclosure is measured using disclosure index, FSIZE = Firm size is measured by natural logarithm of total assets, FAGE = Firm age is taken from the date of incorporation, LEV = Firm leverage is debt ratio is calculated as total debts divided by total assets, GROWTH=Growth is measured as market value divided by Total Asset-Total liabilities, BSIZE = Number of Board Size, BIND = Number of independent directors/Number of total directors, RMCSIZE = The total number of directors in RMC, BIG4= dummy variable that takes value one if the firm is audited by big 4 audit firm, and zero otherwise.

, ** and * represents significance at p<0.10, <0.05 and <0.01, respectively. The t-statistics are reported in parentheses.*

CONCLUSION

The findings indicated that family ownership statistically has an insignificant effect on firm competitiveness. From an agency theory perspective, family firms often experience reduced Type I agency conflicts because ownership and control are concentrated within the family. However, this concentration can amplify Type II agency problems, particularly when family owners prioritize personal or socioemotional goals over firm-level efficiency. These agency frictions may limit the potential performance benefits typically associated with concentrated ownership. Similarly, entrenchment theory suggests that when family members exert disproportionate control such as occupying board positions that exceed their ownership stake principal-principal conflicts may arise. Such conflicts can hinder strategic decision-making and diminish competitiveness due to the self-serving behaviour of entrenched family members. In contrast, alignment theory posits that when family ownership and governance roles are proportionately balanced, the interests of owners and managers tend to converge, thereby strengthening monitoring effectiveness and improving firm performance. Conversely, insufficient board involvement relative to ownership concentration can weaken governance quality and exacerbate principal–agent issues. Hence, these studies make it clear that family ownership by itself isn’t a reliable indicator of firm success. Its impact depends on how ownership is managed, the company’s governance structure, cultural values and the broader environment.

In the case of family firms, engaging in CSR and disclosing such activities can help secure the legitimacy of the firm by demonstrating its commitment to social and environmental responsibilities. CSR disclosure can enhance a family firm's legitimacy in the eyes of stakeholders, including customers, investors and broader community. By aligning with societal expectations regarding sustainability and ethical practices, family firms not only protect their reputation but also improve their competitive advantage. In this way, corporate social responsibility (CSR) disclosure serves as a tool for managing and maintaining legitimacy, which is essential for long-term success in competitive markets.

The findings of this study have important implications for various stakeholders including policymakers, regulators, board directors and firm managers. They underscore the need for effective measures to enhance corporate social responsibility and its impact on firm competitiveness. From a theoretical perspective, this study addresses a significant gap in the literature by emphasizing the role of CSR disclosure in influencing firm competitiveness. The study's results contribute to a deeper understanding of how CSR disclosure interacts with ownership structures to affect competitive outcomes for firms. Policymakers have the opportunity to develop and implement clear guidelines aimed at enhancing the CSR disclosure for companies. Such measures would assist investors in making informed investment decisions, particularly in developing countries like Malaysia.

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