

## SPECIAL ISSUE ARTICLE OPEN ACCESS

# CSR Performance in Family Firms: The Pivotal Role of the External Auditor and the Moderating Impact of Family Influence and Eponymy

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## ABSTRACT

The debate surrounding the corporate social responsibility (CSR) performance of family firms remains inconclusive. In order to unravel the dynamics that lead to better CSR performance of family firms, accounting for their heterogeneity is essential. While valuable steps in this regard have already been taken, we posit that a central figure is generally overlooked in prior studies, namely the external auditor. Specifically, we argue that the extent of investment made by family firms in their external audit, reflected in the level of audit fees, directly impacts their CSR performance as presented in CSR reports. We contend that this investment enhances the quality of these reports, facilitating a more effective communication of CSR efforts to stakeholders. However, drawing from the willingness-ability paradox, family firm characteristics may modulate the willingness of these firms to leverage this potential. Using a comprehensive sample of publicly listed family firms in the United States, our findings reveal a strong and positive association between the level of audit fees and CSR performance. Notably, this relationship becomes weaker as the degree of family influence within the firm increases but stronger when the company name bears the family's name. These findings shed light on the intricate interplay between external audits, family firm dynamics, and CSR performance, offering valuable insights for academics, practitioners, and policymakers seeking to better understand and promote CSR initiatives in family businesses.

## 1 | Introduction

While the field of corporate social responsibility (CSR) in family firms has grown significantly in the last years, findings about whether and/or which family firms excel in CSR performance remain inconclusive (Mariani et al. 2023). Valuable studies (Block and Wagner 2014a, 2014b; Madden et al. 2020) started focusing on the heterogeneity of family firms and began to unravel the specific family dynamics that lead to better (or worse) CSR performance.

Prior studies, despite their value, have generally overlooked one central player in this context: the external auditor. Although several theories have been used to explain why (certain types) of family firms may excel in CSR performance or not (Canavati 2018), an important aspect to account for is that CSR performance is often derived from the CSR reports. Without reporting CSR initiatives in a qualitative way, stakeholders but also researchers will not be informed properly about such initiatives and therefore the overall CSR performance of the firm. An external auditor may play a pivotal role in guaranteeing the

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quality of CSR reports (Chen et al. 2016). We argue that his/her role deserves more attention in the debate concerning CSR performance of family firms.

In this study, we posit that the investment in the external audit, as reflected by the level of audit fees paid, has a positive impact on the CSR performance (as perceived by the market through ESG ratings) of family firms. In addition to ensuring the quality of CSR reports, leading to more informative CSR disclosures, external auditors can provide valuable advice on optimizing CSR-related processes due to their extensive market knowledge (Pucheta-Martínez et al. 2019). Therefore, we contend that external auditors enhance the *ability* of family firms to effectively organize and communicate their CSR activities. Drawing from the willingness–ability paradox and signaling theory, we further contend that not every family firm is *willing* to use the ability offered by the external auditor to its full potential. More specifically, we posit that family firms with higher levels of family influence feel less need to signal their CSR performance towards external stakeholders, as they generally have already developed close relationships with these stakeholders (e.g., Anderson et al. 2003). Since they can enhance their reputation through direct communication with their stakeholders, such firms may ignore auditor suggestions on CSR when implementation costs outweigh reputational gains. On the other hand, firms of which the company name contains the family name (i.e., eponymous firms) may have a larger *willingness* to signal CSR performance. More specifically, while eponymy already serves as a strong signal, this signal is costly since it amplifies the reputational impact of both success and failure (Belenzon et al. 2017; Minichilli et al. 2022), especially since the reputation of the family members is directly associated with the family firm's reputation in eponymous firms (Zellweger et al. 2012). Therefore, eponymous firms are more likely to engage in actions that further enhance and protect their reputation and, consequently, more likely to fully leverage the potential provided by their external auditor in enhancing their CSR performance through more informative disclosures. Overall, we thus consider both family influence and whether the firm name contains the family name as moderators on the relationship between audit fees and the family firm's CSR performance.

Based on a sample of 1034 listed family firms from the US with 4521 firm-year observations, our regression results confirm the positive impact of external auditors on CSR performance of family firms. Moreover, in line with our expectations as well, family influence (measured by the level of family ownership, having a family CEO, and the proportion of family members on the executive board) is considered to weaken the effect of the auditor. In contrast, having the family name included in the firm name strengthens the association.

This study contributes to the literature in several ways. It contributes to the ethics literature by highlighting the critical role of external auditors in enhancing the CSR performance of family firms, emphasizing that ethical behaviour is not automatically reflected in the CSR reports. It also adds to the literature on family business heterogeneity by introducing external auditors as key players in shaping CSR performance. Recent research has explored the contextual institutional factors that influence the relationship between family firms and corporate social performance, with particular

emphasis on internal characteristics (such as family ownership structure) (Labelle et al. 2018; Madden et al. 2020; Morck and Yeung 2004; Rees and Rodionova 2015) and both formal and informal institutions (such as culture) (Chen and Liu 2022). This study contributes to the literature by introducing external auditors as key players in shaping CSR performance, thereby expanding the discussion to include regulatory and market-based mechanisms. By demonstrating that audit fees, used as a proxy for auditor involvement, affect CSR performance, we highlight the positive role of external auditors while also uncovering nuances linked to family dynamics and eponymy. By theorizing the conditions under which external monitoring through audit involvement spills over from financial disclosures into non-financial disclosures and ultimately into CSR performance (as perceived by the market), we extend existing theoretical frameworks on CSR heterogeneity in family firms, which have so far been applied primarily with an internal focus. In this way, we offer a more comprehensive understanding of how CSR performance in family firms is shaped by both internal governance and external professional oversight, helping to reconcile previously conflicting findings. Finally, with regard to the audit literature, prior studies on family firms have predominantly focused on financial audit quality aspects. We contribute by focusing on their role regarding non-financial disclosures, but also by indicating that the ability of the auditor with regard to improving CSR disclosures may not always be fully leveraged in family firms due to the existence of a willingness–ability paradox.

## 2 | Literature Review and Hypotheses Development

### 2.1 | CSR Performance in Family Firms

Corporate social responsibility (CSR) refers to the responsibility of enterprises for their impacts on society, making companies socially accountable to themselves, stakeholders, and the public. It involves practices and policies [i.e., CSR activities] intended to have a positive influence beyond legal obligations and profit maximization.

(UNESCO, n.d.)

Engaging in CSR can yield numerous advantages for both society and companies (Wang et al. 2016). This has led to comprehensive investigations into the factors influencing a company's involvement in CSR (Preslmayer et al. 2018). Especially for family firms, CSR activities hold particular significance, given that these firms are motivated not only by economic objectives but also by noneconomic goals (Gómez-Mejía et al. 2007). To safeguard non-financial objectives, such as image and reputation, family firms, may be more inclined to focus on CSR. This was also confirmed by several studies finding a positive association between being a family firm and CSR performance (Abeysekera and Fernando 2020; Campopiano and De Massis 2015; Dyer and Whetten 2006; García-Sánchez et al. 2021; Madden et al. 2020; Rubino and Napoli 2020).

However, there is also empirical evidence suggesting that family firms may prioritize CSR to a lesser extent. For example, Morck and Yeung (2004) investigate family-controlled firms in 27 major

industrialized countries, analyzing their correlation with societal progress indicators. Their analysis suggests that the concentration of family control in large firms is associated with underdevelopment and societal disparities. Moreover, while the meta-analysis of Canavati (2018) indicated that family firms generally perform better with regard to CSR than non-family firms in the private firm context, the opposite seems to hold within the listed firm context. In addition, Miroshnychenko et al. (2022) provide further insights into the environmental performance of family firms. Their meta-analysis finds that, on average, family involvement has a small but negative effect on environmental performance. This effect is particularly pronounced in studies that measure environmental performance based on operational environmental practices and in those that define family business through ownership and management criteria. From an agency perspective, their findings suggest that the negative aspects of family firm environmental performance outweigh the positive aspects when compared to non-family firms. These results challenge the assumption that family firms are inherently more responsible in environmental matters and emphasize the importance of considering different measurement approaches when evaluating CSR performance.

In order to unravel this mixed evidence, accounting for the heterogeneity of family firms is essential. Valuable steps in this regard are also already taken by prior studies. For example, Block and Wagner (2014b) differentiate between founder ownership, family ownership, founder management, and family management and its impact on CSR performance. They find that firms with founder or family CEOs are linked to a higher prevalence of CSR efforts. Furthermore, their findings indicate that family and founder ownership correlate with higher corporate social responsibility activities. Cui et al. (2018) confirm the findings of Block and Wagner (2014b), indicating that family firms led by family members as CEOs exhibit enhanced CSR performance. Next to family involvement in governance and management, the age of the family firm also emerges as a significant factor. Madden et al. (2020), for example, observe a negative correlation between the age of a family firm and its investment in CSR, indicating a reduction in CSR expenditures as the family firm matures and evolves across generations.

While prior literature has made valuable contributions in accounting for family firm heterogeneity with regard to CSR performance, a critical factor remains largely overlooked: the role of the external auditor. Research on CSR in family firms has predominantly focused on internal determinants, such as ownership and management structure, governance, and firm age, whereas the influence of external assurance providers on CSR performance has received limited attention.

When analyzing CSR, it is crucial to recognize that undertaking CSR activities does not automatically translate into stakeholder recognition or measurable impact (e.g., through CSR ratings). Prior studies often treat CSR activities, CSR disclosures/reporting, and CSR performance as interchangeable concepts; yet these are closely related but fundamentally distinct. *CSR activities* refer to the actual initiatives and strategies a company implements to promote sustainability and social responsibility such as environmental programs, ethical sourcing, or community engagement (Wang et al. 2016). *CSR disclosure/reporting*, in contrast, involves the communication of these activities through

sustainability reports, CSR sections in annual reports, or other corporate documents, serving as a key mechanism for informing stakeholders and demonstrating accountability (Campopiano and De Massis 2015). The quality and transparency of such reporting can significantly influence how external parties perceive a firm's CSR commitment. Finally, *CSR performance*, typically measured through ESG ratings or similar frameworks, reflects the perceived effectiveness and impact of these efforts by external stakeholders or agencies.

Not making a distinction between CSR activities, CSR disclosures, and CSR performance may have led to overlooking important dynamics and key players (such as the external auditor), especially in the context of family firms. More specifically, while the concepts CSR activities, disclosures, and performance are generally strongly connected, a disconnect may often arise in family firms. Although family firms may actively engage in responsible and sustainable practices, they may not always succeed in effectively communicating these efforts through formal reporting, leading to a lower perceived CSR performance. This is where external auditors can play a pivotal role. By verifying CSR disclosures and enhancing reporting credibility, auditors help ensure transparency and consistency, thus shaping stakeholder perceptions and improving overall CSR performance.

## 2.2 | The Pivotal Role of the External Auditor

An external auditor is an independent professional hired by an organization to assess and provide an opinion on the accuracy and reliability of its financial statements. The primary role of an external auditor is to express an opinion on whether the financial statements present a true and fair view of the organization's financial position, performance, and cash flows in accordance with generally accepted accounting principles (GAAP) or other applicable financial reporting frameworks (AICPA 2010). Prior family firm studies focusing on the external auditor have, therefore, also predominantly focused on their financial assurance role, finding that family firms generally demand lower audit effort and are less likely to engage high-quality auditors compared to non-family firms due to a (presumed) lower level of agency conflicts (e.g., Ho and Kang 2013; Khan et al. 2015; Rahman et al. 2023). Some studies also acknowledged the heterogeneity among family firms, showing that differences in family involvement, governance structures, or identity-related characteristics can significantly influence the demand for audit quality (e.g., Niskanen et al. 2010; Schierstedt and Corten 2021; Srinidhi et al. 2014; Tee 2018). However, existing research has largely overlooked how the demand for audit quality might affect non-financial outcomes such as CSR performance in family firms.

Although the primary role of the external auditor is not related to CSR reporting, they may have a significant effect on CSR performance (reporting) as well (Chen et al. 2016). Canavati (2018) already indicated that the apparent lower CSR performance in (listed) family firms may not be attributed to a lack of CSR-related initiatives. Instead, a key factor may lie in their relative deficiency in effectively reporting their CSR activities. In other words, the challenge for family firms may not necessarily be the absence of a commitment to CSR, but rather their limited proficiency in articulating and showcasing (i.e., disclosing) their

CSR endeavours. This perspective underscores the importance of recognizing the communication and reporting dimensions when evaluating the CSR performance of family firms, in which the auditor may play a central role.

While US listed firms have no legal obligation to report on their CSR performance, and their external auditors therefore have no direct responsibility in developing or assessing their CSR reports, an external auditor could still serve as a catalyst for voluntary and qualitative CSR disclosures. As indicated by Chen et al. (2016), “[t]he information system used to produce financial reports is the same as that used to produce other types of disclosure such as CSR reports” (p. 57). An external auditor holds the potential to significantly influence the quality of a company’s information system. This impact can manifest directly through the identification of inefficiencies during the audit, coupled with the presentation of potential solutions in a comprehensive management letter (Manson et al. 2001). Moreover, the influence may also extend indirectly, as companies with subpar information systems run the risk of receiving an adverse audit opinion. In essence, the external auditor acts as a critical catalyst for both pinpointing areas of improvement and incentivizing robust information system practices within the corporate framework, and therefore may also improve the information process related to CSR initiatives.

Furthermore, Canavati (2018) also suggested that the comparatively lower CSR performance of family firms could be linked to their reluctance to prominently showcase their CSR activities, which they may perceive more as a moral duty rather than a boast-worthy accomplishment. This mindset might be reshaped with the assistance of an external auditor, as they can underscore the significance of CSR reporting in diminishing information asymmetries and signaling a commitment to CSR initiatives to external stakeholders (Harjoto and Jo 2011; Pucheta-Martínez et al. 2019). Therefore, beyond the moral obligation to engage in CSR initiatives, there exists a corresponding moral duty to accurately report on these endeavours. An external auditor plays a pivotal role in facilitating this accurate reporting, ensuring that stakeholders receive precise information without the perception of ostentation. In essence, the external auditor may act as a crucial ally in aligning the ethical imperative of CSR engagement with the equally ethical imperative of transparent and accurate reporting.

As we emphasize the crucial role of external auditors in enhancing the CSR performance of family firms, it is imperative to recognize that the level of investment in the external audit can vary significantly among these entities, which is generally reflected in the corresponding audit fees. The amount of audit fees paid serves as a tangible indicator of the resources allocated to the audit process (Hay 2013). Higher audit fees not only signify a greater commitment to the audit function but also offer the auditor more substantial opportunities to provide valuable insights and recommendations for improving the firm’s information system and CSR-related initiatives. Therefore, in alignment with the perspectives of both Chen et al. (2016) and Pucheta-Martínez et al. (2019) in a non-family business context, we contend that family firms paying higher audit fees are also likely to possess an augmented capacity to effectively report on CSR activities. Therefore, we posit:

**H1.** *The level of audit fees has a positive impact on the CSR performance of family firms.*

## 2.3 | The Moderating Impact of Family Influence and Eponymy

### 2.3.1 | Family Influence

Based on the willingness-ability paradox (De Massis et al. 2014; Guenther et al. 2023) and signaling theory, we argue that not every family firm is *willing* to fully use the *ability* offered by the external auditor to enhance their CSR disclosure and therefore further increase their CSR performance. More specifically, family firms with higher levels of family influence (reflected by the level of family ownership, family management and/or having a family CEO) may feel less need to signal their CSR activities towards external stakeholders. While such firms may find a natural alignment with CSR principles due to their long-term orientation (Memili et al. 2018), encouraging environmental sustainability (e.g., Berrone et al. 2010), social responsibility (e.g., Block 2010; Stavrou et al. 2007; Stavrou and Swiercz 1998), and ethical governance (e.g., Bingham et al. 2011), they may not necessarily feel the urge to report on these matters (Canavati 2018). Based on the signaling theory, (high quality) reporting is used to reduce information asymmetry and to signal good performance towards outside stakeholders (Connelly et al. 2011). However, since family firms are already considered to actively build close relationships with their outside stakeholders (Arregle et al. 2007), information asymmetries are already reduced directly. Therefore, additional signaling through enhanced CSR disclosures may not be considered necessary. While they will benefit from the services provided by the auditor to increase the reporting quality of their existing CSR activities, implementing additional CSR activities or changing processes based on the suggestions of the auditor may be considered too costly compared to the limited reputational gains they retrieve from this reporting. Moreover, even with regard to improving the CSR reporting quality, family firms with high family influence may be more hesitant to adopt auditors’ recommendations, as CSR disclosures can expose underlying tensions between familial and external expectations (Discua Cruz 2020).

We thus argue that family firms with a high level of family influence will not fully use the *ability* provided by their external auditor to increase their CSR (reporting) performance. This reluctance may stem from their limited *willingness*, as they have already developed close relationships with their stakeholders and, therefore, do not need additional signaling about their CSR performance. Therefore, we formally hypothesize:

**H2.** *The level of family influence moderates the relationship between the level of audit fees and CSR performance of family firms in such a way that the positive relationship becomes weaker when the level of family influence is higher.*

### 2.3.2 | Family Name as Firm Name

In family firms bearing the family name (i.e., eponymous firms), we argue that the *willingness* to use the *ability* of the external



auditor for enhancing CSR reporting quality may in fact be more pronounced compared to non-eponymous firms. Eponymy itself already serves as a mechanism towards stakeholders to signal reputation (Chen et al. 2024; Kashmiri and Mahajan 2014). However, while eponymy may already serve as a powerful signal, it comes at a cost, as it amplifies the reputational impact of both success and failure (Belenzon et al. 2017; Minichilli et al. 2022). This is mainly due to the strong connection between the reputation of a family business and the reputation of the family itself (Chrisman, Chua, et al. 2007; Chrisman, Sharma, and Taggar 2007), which is further accentuated when the family name is integral to the firm's identity (Zellweger et al. 2012). Therefore, if an eponymous firm experiences reputational harm, the entire family's reputation may be at risk.

Therefore, eponymous firms are inherently more focused on reputation concerns (Minichilli et al. 2022). This heightened sensitivity extends to a stronger concern for reputational damage resulting from low reporting quality, as previously observed in the context of financial reporting (Minichilli et al. 2022). Consequently, eponymous firms are likely to be more willing to follow all of the auditors' recommendations regarding sustainability, aiming to protect and enhance their reputation. Therefore, we formally posit:

**H3.** *The firm name moderates the relationship between the level of audit fees and CSR performance of family firms in such a way that the positive relationship becomes stronger when the firm name contains the family name.*

### 3 | Methodology

#### 3.1 | CSR Regulation in the US

Given that our study focuses on U.S.-listed family firms, it is noteworthy to mention that, unlike the more stringent CSR reporting requirements for listed firms in Europe, there is still no legal obligation for listed U.S. companies to publish comprehensive CSR reports (Redondo Alamillos and de Mariz 2022).

Nevertheless, it is intriguing to note that even in the absence of regulatory requirements, there is a notable trend of voluntary reporting among U.S. companies. In this regard, the recent study by Rouen et al. (2023) revealed that approximately 86% of S&P 500 listed firms opt for voluntary CSR reporting.

#### 3.2 | Dataset

In constructing our panel dataset, we initiated our data gathering process using the NRG Metrics' Family firms and Audit dataset for the financial years from 2006 to 2021 (NRG 2022). NRG Metrics offers an extensive array of governance information such as ownership structure, directors and officers, family firms and auditing, especially for listed companies worldwide. NRG Metrics relies on publicly accessible documents such as annual reports, firm presentations, SEC filings, and press releases as primary data sources and has become a widely accepted database among practitioners and academics (Cho, Ibrahim, and Yan 2019; Lozano-Reina et al. 2022; Miroshnychenko

et al. 2021). In the second step, we used the Refinitiv database, primarily serving as a source for firm financials and data on CSR Scores (Refinitiv 2022), which NRG Metrics does not cover.

We excluded financial firms (e.g., banks, insurance companies, and trading companies) due to their adherence to distinct audit regulations and unique balance sheet structures.

The primary focus of our investigation centers on elucidating the crucial role external auditors play in family firms, leading us to exclude non-family firms from our analysis. Given our objective to explore diverse family firm characteristics influencing the auditor's impact on CSR performance, we have employed a wide definition of family firms operationalised by the fractional ownership of the family and board presence of the firm. Using the widely accepted definition of Anderson and Reeb (2003) for US listed firms, we define a family firm as one where the founder or a family member serves as an officer, director, or owns more than 5% of the firm's equity, either individually or as part of a group (NRG 2022). After excluding the non-family firms (reduction of 9622 firm year observations and 1.418 firms), our final sample size encompasses 4521 firm year observations, including 1034 family firms.

### 3.3 | Empirical Model

We perform panel regressions to measure the effect of audit fees and different family-specific variables on the CSR performance of the family firm. Our panel dataset covers family firm year observations over a time horizon from 2007 to 2021. While we apply a random effects panel data model, we address autocorrelation and heteroscedasticity by employing cluster-robust standard errors based on firm identifiers in our regression models.

### 3.4 | Variables

#### 3.4.1 | Dependent Variable

To quantify the CSR-Performance of family firms, we use the measure of Refinitiv ESG score (TRESGS), which is one of the most accepted metrics for assessing corporate sustainability performance by practitioners and academics (Drempetic et al. 2020; Garcia et al. 2017; Neitzert and Petras 2022). This metric represents an aggregate company score derived from official company disclosure on the environmental (E), social (S), and corporate governance (G) pillars. The ESG score of every company is reported on a scale ranging from 0% to 100%, representing the company's optimal relative ESG performance. We label the variable as *ESG Score*.

#### 3.4.2 | Independent Variable

Our independent variable indicates the investment in the external audit, as reflected by the amount of audit fees paid. We adhered to previous research methodologies, employing the variable *Audit Fees (LN)* as the natural logarithm of audit fees as reported in the firms' annual financial statements (Abbott et al. 2003; Hope et al. 2012; Schierstedt and Corten 2021). The amount of audit fees is obtained from NRG Metrics' Audit list (NRG 2022).

### 3.4.3 | Moderator Variables

The family-specific moderator variables are extracted from NRG Metrics' Family Firm list (NRG 2022).

To measure *family influence*, we employed three specific variables. First, we measured family influence in ownership by the continuous variable *Family Ownership* as the ratio of the total number of shares owned by the family to the overall outstanding shares. Second, in order to quantify the level of family involvement in management, we employed the binary variable *Family CEO*, set to 1 if the CEO is a member of the family and 0 otherwise, and the continuous variable *Family Management*, calculated as the proportion of family members on the executive board divided by the board size.

To indicate eponymy, we employed the binary variable *Family Name in Firm Name*, set to 1 if the company's name includes the name of the family or founder, and 0 otherwise (Deephouse and Jaskiewicz 2013; Kashmiri and Mahajan 2014; Schierstedt and Corten 2021).

### 3.4.4 | Controls

Drawing from existing research, we systematically account for various factors that could influence a company's environmental performance. Therefore, we controlled for specific firm-level financials including firm size using *Total Assets (LN)* measured as the natural logarithm of total assets (Drempetic et al. 2020), the relative valuation of the family firm using the *Market to Book Ratio* calculated as market value divided by the book value of equity (Adeneye and Ahmed 2015), business performance by incorporating the return on assets metric ROA (Adeneye and Ahmed 2015; Cho, Chung, and Young 2019), and the proportion of debt in family firms' capital structure using the variable *Leverage* represented as the ratio of total debt to total assets (Khaled et al. 2021). We also control for the age of the firm using *Firm Age (LN)* as the natural logarithm of the years since the founding date of the family firm (DasGupta 2022). Additionally, we utilize the binary variable *Modified Opinion*, assigning it a value of 1 if the auditor issues a qualified, adverse, or disclaimer opinion; otherwise, it takes a value of 0 (Wang et al. 2023). Furthermore, we incorporated binary industry variables based on Fama–French 10 industries to account for industry-specific fixed effects (Fama–French 2023).

Table 1 provides a concise overview of the definitions of the variables we use in our regressions.

## 4 | Results

### 4.1 | Descriptive Statistics and Correlations

In Table 2, we provide a summary of descriptive statistics for the variables incorporated in our regression models. The mean value of our dependent variable among the family firms' *ESG Score* in our panel dataset is 37% with a median value of 33.3%. Regarding our independent variable, *Audit Fees (LN)*, the non-logarithmic mean audit fee amounts to USD 3,176,564, accompanied by a median value of USD 1,724,943.

In Table 3, we provide the pairwise correlation coefficients for all variables in our models, excluding dependent and industry dummies. While the highest correlation is between *Audit Fees (LN)* and *Total Assets (LN)* with  $r=0.785$ , none exceed a critical threshold of 0.8. Therefore, multicollinearity issues are not expected (Kennedy 2003). Furthermore, variation inflation factors (VIF) were examined, showing no concerns about multicollinearity as all VIF values were below the critical threshold of 10 (Chatterjee and Hadi 2015; O'brien 2007).

### 4.2 | Regression Results

The regression results are presented in Table 4. Model 1 represents the base model as it only contains the control variables.

In Model 2 we tested Hypothesis 1 with respect to the impact of the level of audit fees on the CSR performance of family firms. The results revealed a statistically significant positive effect of *Audit Fees (LN)* (0.0235;  $p \leq 0.01$ ) at a 1% significance level, supporting our hypothesis that higher audit fees are associated with a better CSR performance of family firms. This finding underscores the pivotal role of external auditors in influencing CSR reporting within family firms, since higher audit fees are associated with an augmented capacity to effectively communicate and report on CSR activities.

In Models 3, 4 and 5 we tested Hypothesis 2 with respect to the possible moderating impact of family influence on the relationship between the level of audit fees and CSR performance of family firms. The moderation analysis revealed varying effects for the different family influence variables with respect to the significance levels. The interaction between *Audit Fees (LN)* and *Family Ownership* was not found to be statistically significant ( $-0.0366$ ;  $p > 0.1$ ). However, regarding the other variables reflecting the level of family influence we found evidence for Hypothesis 2. The interaction between *Audit Fees (LN)* and *Family CEO* was found to be statistically significant ( $-0.0180$ ,  $p \leq 0.05$ ) at a 5% level. Additionally, the interaction between *Audit Fees (LN)* and *Family Management* demonstrated even stronger statistical significance ( $-0.133$ ,  $p \leq 0.01$ ) on a 1% level. Overall, our findings partially support Hypothesis 2, indicating that family influence in management significantly moderates the relationship between audit fees and CSR performance in family firms. Specifically, as family influence in management increases, the positive association between audit fees and CSR performance weakens. This suggests that family firms with higher levels of family influence in management are less inclined to fully utilize their external auditors' ability to enhance the quality of their CSR reporting.

In Model 6, we tested Hypothesis 3, which posits that the firm name containing the family name moderates the relationship between audit fees and CSR performance in family firms. The interaction between *Audit Fees (LN)* and *Family name is Firmname* shows statistical significance (0.0449,  $p \leq 0.05$ ) at the 5% level, providing empirical support for Hypothesis 3. The positive relationship between audit fees and CSR performance becomes notably stronger when the firm name contains the family name, underscoring the influential role of family identity in shaping the strategic utilization of audit resources. Specifically, our findings indicate that the willingness to harness the external

**TABLE 1** | Definition of variables.

|                                | Definition                                                                                                                                                                  | Source      |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Dependent variable             |                                                                                                                                                                             |             |
| <i>ESG Score</i>               | Family firms' overall ESG (Environmental, Social, and Governance) score based on verifiable reported data in the public domain by Refinitiv; value range from 0% up to 100% | Refinitiv   |
| Independent variable           |                                                                                                                                                                             |             |
| <i>Audit Fees (LN)</i>         | Natural logarithm of audit service fees: sum of the fees for the statutory audit                                                                                            | Refinitiv   |
| Moderator variable             |                                                                                                                                                                             |             |
| <i>Family Ownership</i>        | Ratio of the number of shares of all classes held by the family to total shares outstanding. The numerator includes all shares held by family representatives               | NRG metrics |
| <i>Family Management</i>       | The number of family members within board of directors, but only the executive members divided by the board size                                                            | NRG metrics |
| <i>Family CEO</i>              | Equals 1 if the CEO is CEO-founder or CEO-descendant, 0 otherwise                                                                                                           | NRG metrics |
| <i>Family Name is Firmname</i> | Dummy variable; equals 1 if the firm's name contains the founding family name, and 0 otherwise                                                                              | NRG metrics |
| Control variables              |                                                                                                                                                                             |             |
| <i>Total Assets (LN)</i>       | Natural logarithm of total assets (in TEUR) of the family firm                                                                                                              | Refinitiv   |
| <i>Markettobookratio</i>       | Market value of the family firm divided by the total book value of equity                                                                                                   | Refinitiv   |
| <i>ROA</i>                     | Net income divided by total assets                                                                                                                                          | Refinitiv   |
| <i>Leverage</i>                | Long-term debt divided by total assets                                                                                                                                      | Refinitiv   |
| <i>Firm Age (LN)</i>           | Natural logarithm of the years since the founding date of the family firm                                                                                                   | NRG metrics |
| <i>Modified Opinion</i>        | Dummy variable: equals 1 if the company has a modified opinion by the auditor (qualified, adverse, disclaimer), 0 otherwise                                                 | Refinitiv   |
| <i>Industry Dummies</i>        | Dummy variables; industry controls based on Fam-French 10 industry portfolios                                                                                               | Refinitiv   |

**TABLE 2** | Descriptive statistics.

| Variables                      | N    | Mean   | Median | SD    | Min.   | Max.   |
|--------------------------------|------|--------|--------|-------|--------|--------|
| Dependent variable             |      |        |        |       |        |        |
| <i>ESG Score</i>               | 4521 | 0.370  | 0.333  | 0.181 | 0.007  | 0.932  |
| Independent variable           |      |        |        |       |        |        |
| <i>Audit Fees (LN)</i>         | 4521 | 14.401 | 14.363 | 1.035 | 8.846  | 18.200 |
| Moderator variables            |      |        |        |       |        |        |
| <i>Family Ownership</i>        | 4521 | 0.123  | 0.064  | 0.148 | 0.000  | 0.915  |
| <i>Family CEO</i>              | 4521 | 0.549  | 1.000  | 0.498 | 0.000  | 1.000  |
| <i>Family Management</i>       | 4521 | 0.112  | 0.111  | 0.091 | 0.000  | 0.571  |
| <i>Family Name is Firmname</i> | 4521 | 0.163  | 0.000  | 0.370 | 0.000  | 1.000  |
| Control variables              |      |        |        |       |        |        |
| <i>Total Assets (LN)</i>       | 4521 | 14.409 | 14.376 | 1.772 | 7.107  | 20.742 |
| <i>Market to Book Ratio</i>    | 4521 | 0.003  | 0.002  | 0.050 | −1.020 | 2.137  |
| <i>ROA</i>                     | 4521 | −0.028 | 0.038  | 0.286 | −7.769 | 1.323  |
| <i>Leverage</i>                | 4521 | 0.225  | 0.176  | 0.235 | 0.000  | 2.175  |
| <i>Firm Age (LN)</i>           | 4521 | 3.294  | 3.367  | 0.875 | 0.000  | 5.366  |
| <i>Modified Opinion</i>        | 4521 | 0.012  | 0.000  | 0.109 | 0.000  | 1.000  |

Note: This table represents the descriptive statistics of the variables in our multivariate regression models. We do not report the industry dummies. Our sample consists of 4524 observations including 1034 family firms.

**TABLE 3** | Variation inflation factors (VIF) and correlations.

| Variables                        | VIF  | 1       | 2      | 3       | 4       | 5      | 6       | 7      | 8      | 9      | 10     | 11    |
|----------------------------------|------|---------|--------|---------|---------|--------|---------|--------|--------|--------|--------|-------|
| 1 <i>Audit Fees (LN)</i>         | 3.04 | 1.000   |        |         |         |        |         |        |        |        |        |       |
| 2 <i>Family Ownership</i>        | 1.16 | -0.025  | 1.000  |         |         |        |         |        |        |        |        |       |
| 3 <i>Family CEO</i>              | 1.61 | -0.171* | 0.075* | 1.000   |         |        |         |        |        |        |        |       |
| 4 <i>Family Management</i>       | 1.71 | -0.238* | 0.244* | 0.591*  | 1.000   |        |         |        |        |        |        |       |
| 5 <i>Family Name is Firmname</i> | 1.32 | 0.174*  | 0.112* | -0.198* | -0.139* | 1.000  |         |        |        |        |        |       |
| 6 <i>Total Assets (LN)</i>       | 3.57 | 0.785*  | 0.001  | -0.174* | -0.194* | 0.231* | 1.000   |        |        |        |        |       |
| 7 <i>Market to Book Ratio</i>    | 1.01 | -0.009  | 0.005  | 0.020   | 0.021   | -0.011 | -0.041* | 1.000  |        |        |        |       |
| 8 <i>ROA</i>                     | 1.39 | 0.277*  | 0.089* | -0.069* | -0.034  | 0.126* | 0.429*  | -0.030 | 1.000  |        |        |       |
| 9 <i>Leverage</i>                | 1.18 | 0.191*  | -0.011 | -0.070* | -0.081* | 0.081* | 0.238*  | 0.005  | -0.018 | 1.000  |        |       |
| 10 <i>Firm Age (LN)</i>          | 1.59 | 0.251*  | 0.158* | -0.211* | -0.135* | 0.409* | 0.296*  | -0.031 | 0.331* | 0.064* | 1.000  |       |
| 11 <i>Modified Opinion</i>       | 1.01 | -0.010  | 0.001  | 0.001   | 0.004   | -0.032 | -0.051* | -0.001 | -0.016 | 0.012  | -0.013 | 1.000 |

Note: This table presents the variation inflation factors (VIF) and the pairwise Pearson correlation coefficients of the independent variables used in the multivariate regression models, \*p values of 5%.

auditor's capabilities for enhancing CSR reporting quality is more pronounced in eponymous firms.

### 4.3 | Robustness Checks and Additional Analyses

We conducted a comprehensive analysis of various models to ensure the reliability of our empirical findings. Detailed results are available upon request from the corresponding author.

To address potential distortion in interpreting our results due to the notable correlation between the independent variable *Audit Fees (LN)* and the control variable *Total Assets (LN)*, we performed additional tests using alternative measures. Supplementary analyses, which included alternative size measures, specifically the natural logarithm of total revenues and the natural logarithm of the number of employees, upheld the robustness of our findings despite slight deviations in significance levels. Furthermore, we conducted regressions using an alternative metric to assess the extent of investment made by family firms in their external audits. Specifically, we replaced *Audit Fees (LN)* with the natural logarithm of the sum of all fees paid to the auditor by the family firm. This metric encompasses both the amount of audit fees and integrates the level of non-audit service fees (NAS), providing a comprehensive reflection of the auditor's total engagement with the family firm (Hoitash et al. 2007). After conducting regression analyses with the alternative independent variable, the results consistently demonstrate robustness, maintaining the same level of statistical significance.

Given our use of an unbalanced panel dataset spanning from 2007 to 2021, we assessed the potential impact of spurious outliers on our results. To address this concern, we employed winsorization, a statistical technique that transforms data by restricting extreme values, on all our continuous variables at different percentiles (Hope et al. 2012; Schierstedt et al. 2021; Schmidt 2012). This process entailed modifying variables that fell beyond the 1st and 99th percentiles, as well as those beyond the 5th and 95th, and the 10th and 90th percentiles. Subsequent to running the regression analyses using the adjusted variables, we observed that all results maintained their robustness, retaining the same levels of statistical significance.

In our primary analysis, we used Refinitiv's ESG score to measure the CSR performance of the family firm (Refinitiv 2022). This score, a composite metric, encompasses three pivotal sub-pillars: environmental, social, and governance. To deepen our analysis, we conducted additional regressions focusing on the specific subcategories. This involved running separate regressions of our models by using the Environmental score (ENSCORE), Social score (SOSCORE), and Governance score (CGSCORE) as dependent variables, each provided by Refinitiv (2022). The results demonstrate that within the sub-pillars of Environmental and Social, the anticipated effects are evident, albeit with variations in the levels of significance. The results imply the pivotal role for auditors in enhancing the communicative efficacy of family firms regarding environmental and social performance. However, regarding the governance sub-pillar, the effects became statistically insignificant. While these additional analyses can serve as a catalyst for future research, a plausible explanation for the limited influence of



**TABLE 4** | Multivariate analysis.

|                                                  | <b>Model 1</b>          | <b>Model 2</b>          | <b>Model 3</b>          | <b>Model 4</b>          | <b>Model 5</b>          | <b>Model 6</b>          |
|--------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Dependent variable                               |                         |                         |                         |                         |                         |                         |
| <i>ESG Score</i>                                 |                         |                         |                         |                         |                         |                         |
| Independent variable                             |                         |                         |                         |                         |                         |                         |
| <i>Audit Fees (LN)</i>                           |                         | 0.0235***<br>(0.00596)  | 0.0284***<br>(0.00699)  | 0.0324***<br>(0.00809)  | 0.0374***<br>(0.00849)  | 0.0185***<br>(0.00576)  |
| Moderator variables                              |                         |                         |                         |                         |                         |                         |
| <i>Family Ownership</i>                          |                         |                         | 0.402<br>(0.333)        |                         |                         |                         |
| <i>Family CEO</i>                                |                         |                         |                         | 0.226*<br>(0.126)       |                         |                         |
| <i>Family Management</i>                         |                         |                         |                         |                         | 1.702***<br>(0.568)     |                         |
| <i>Family Name is Firmname</i>                   |                         |                         |                         |                         |                         | −0.669**<br>(0.280)     |
| Moderator terms                                  |                         |                         |                         |                         |                         |                         |
| <i>Audit Fees (LN) × Family Ownership</i>        |                         |                         | −0.0366<br>(0.0239)     |                         |                         |                         |
| <i>Audit Fees (LN) × Family CEO</i>              |                         |                         |                         | −0.0180**<br>(0.00903)  |                         |                         |
| <i>Audit Fees (LN) × Family Management</i>       |                         |                         |                         |                         | −0.133***<br>(0.0413)   |                         |
| <i>Audit Fees (LN) × Family Name is Firmname</i> |                         |                         |                         |                         |                         | 0.0449**<br>(0.0191)    |
| Control variables                                |                         |                         |                         |                         |                         |                         |
| <i>Total Assets (LN)</i>                         | 0.0649***<br>(0.00338)  | 0.0541***<br>(0.00393)  | 0.0525***<br>(0.00391)  | 0.0529***<br>(0.00401)  | 0.0527***<br>(0.00393)  | 0.0537***<br>(0.00395)  |
| <i>Markettobookratio</i>                         | 0.0151<br>(0.0344)      | 0.00830<br>(0.0319)     | 0.00780<br>(0.0318)     | 0.0102<br>(0.0342)      | 0.0139<br>(0.0340)      | 0.00937<br>(0.0319)     |
| <i>ROA</i>                                       | −0.0450***<br>(0.00925) | −0.0405***<br>(0.00885) | −0.0386***<br>(0.00842) | −0.0379***<br>(0.00840) | −0.0380***<br>(0.00840) | −0.0389***<br>(0.00851) |
| <i>Leverage</i>                                  | 0.0167<br>(0.0177)      | 0.0123<br>(0.0177)      | 0.0105<br>(0.0176)      | 0.0114<br>(0.0183)      | 0.00961<br>(0.0178)     | 0.0108<br>(0.0175)      |
| <i>Firm Age (LN)</i>                             | 0.0502***<br>(0.00880)  | 0.0483***<br>(0.00847)  | 0.0488***<br>(0.00859)  | 0.0451***<br>(0.00833)  | 0.0460***<br>(0.00807)  | 0.0499***<br>(0.00902)  |
| <i>Modified Opinion</i>                          | −0.0127<br>(0.0156)     | −0.0172<br>(0.0154)     | −0.0192<br>(0.0153)     | −0.0196<br>(0.0153)     | −0.0197<br>(0.0155)     | −0.0182<br>(0.0155)     |
| Industry-fixed effects                           | Included                | Included                | Included                | Included                | Included                | Included                |

(Continues)

**TABLE 4** | (Continued)

|                     | <b>Model 1</b>        | <b>Model 2</b>        | <b>Model 3</b>        | <b>Model 4</b>        | <b>Model 5</b>       | <b>Model 6</b>        |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Constant            | −0.775***<br>(0.0491) | −0.945***<br>(0.0700) | −0.975***<br>(0.0854) | −1.028***<br>(0.0992) | −1.095***<br>(0.104) | −0.869***<br>(0.0696) |
| Observations        | 4521                  | 4521                  | 4521                  | 4521                  | 4521                 | 4521                  |
| Number family firms | 1034                  | 1034                  | 1034                  | 1034                  | 1034                 | 1034                  |

Note: This table presents the random effects regression coefficients  $\beta$  for the specified test and control variables on the ESG score. Industry and year-fixed effects are controlled for (Fama-French 10 industries). Robust standard errors are reported in parentheses.

Abbreviation:  $p = p$ -value.

\*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

auditors on governance performance in family firms could be attributed to the distinctive governance challenges associated with family dynamics, succession planning, and conflicts of interest. Auditors might lack the requisite tools or authority to effectively intervene or navigate these intricate familial complexities, thereby constraining their ability to significantly impact governance performance.

## 5 | Discussion

Our regression results provide compelling evidence for the significant role that external auditors play in shaping CSR performance within family firms. The findings suggest that higher audit fees are positively associated with better CSR performance, reinforcing the idea that external auditors contribute to the transparency and credibility of CSR reporting. The strong statistical significance of Audit Fees (LN) in Model 2 underscores the importance of audit quality in ensuring that CSR activities are effectively communicated to stakeholders. This aligns with prior research suggesting that higher audit fees often reflect enhanced audit effort and scrutiny, which, in turn, lead to improved reporting practices and a higher level of accountability in CSR disclosures (Chen et al. 2016; Hay 2013).

However, our moderation analysis (Models 3, 4, and 5) reveals that family influence in management can weaken the positive association between audit fees and CSR performance. The statistically significant negative interactions between Audit Fees (LN) and both Family CEO and Family Management indicate that when family members hold key managerial positions, they may be less inclined to fully leverage the external auditor's role in strengthening CSR reporting. This is probably due to the idea that this would be too costly compared to the limited benefits since they have already developed direct relationships with their stakeholders and, therefore, are not in need of additional signaling (Anderson et al. 2003). However, other explanations such as prioritizing internal control over external validation, potentially due to concerns over maintaining family authority, or a reluctance to expose the firm to heightened external scrutiny (Canavati 2018) may also be at play. These results highlight an important paradox in family firms: while they often emphasize long-term reputation and stakeholder trust, stronger family involvement in management may reduce their willingness to fully capitalize on external audit expertise to enhance CSR disclosures.

Conversely, our results in Model 6 suggest that when the family name is embedded in the firm's identity, the relationship

between audit fees and CSR performance becomes significantly stronger. The positive and statistically significant interaction term indicates that eponymous family firms are more likely to utilize external auditors as a mechanism to reinforce their CSR efforts. This finding highlights that reputation concerns may drive eponymous family firms' behavior (Kashmiri and Mahajan 2014; Zellweger et al. 2012), in this case by seeking higher levels of external assurance in their CSR reporting. By ensuring that their CSR disclosures meet higher standards of credibility and transparency, these firms mitigate reputational risks associated with poor CSR performance.

## 6 | Conclusions

In recent years, the field of CSR in family firms has expanded considerably, yet uncertainties persist regarding the extent and nature of CSR performance among these firms (Mariani et al. 2023). We posit that a crucial factor often overlooked in prior research is the role of external auditors. CSR performance, frequently deduced from CSR reports, hinges on the quality of reporting, which can be significantly impacted by these external auditors.

Our study contends that the level of investment in external audits, as manifested in the audit fees paid by family firms, positively influences their CSR performance. Beyond enhancing the communicative efficacy of family firms regarding CSR, external auditors can also offer valuable insights to optimize CSR-related processes (Pucheta-Martínez et al. 2019).

Analysing a sample of 1034 listed family firms in the US, with 4521 firm-year observations, our regression results confirm the positive impact of external auditors on CSR performance. Family influence weakens this effect, while the inclusion of the family name in the firm name strengthens the association, aligning with our expectations.

This study makes several contributions to the existing literature. First, it contributes to the field of ethics since studies on CSR in the ethics literature have mainly focused on the impact of internal governance and management mechanisms on CSR outcomes. For example, Li et al. (2023) examined how the connectedness of a company's directors (their network centrality) influences the quality of its CSR disclosure. Radu and Smaili (2021) investigated how CSR committees and executive compensation tied to CSR performance work together to influence a company's CSR outcomes. Several studies also made a clear link with the audit committee. For example, Dwekat

et al. (2022) examined the influence of audit committee attributes on the adoption of CSR assurance in listed companies, and Bose et al. (2022) examined the impact of the CEO's board and audit committee memberships across multiple companies (CEO interlocking) on CSR performance. While internal governance mechanisms are already well examined, the impact of external governance mechanisms on CSR performance is thus far rarely considered in the ethics literature, with the conceptual study of Gond et al. (2024) exploring the role of sustainability consultants as external change agents as a valuable exception. By focusing on the auditor as an external governance mechanism with regard to CSR performance, our study therefore contributes to these aforementioned studies.

Second, our study also adds to the ethics and family business studies that already focused on the heterogeneity of family firms with regard to CSR performance, to which we mainly contribute by also embedding the external influence of the auditor. Domańska et al. (2024) examined how different aspects of entrepreneurial behavior and female leadership affect sustainability initiatives within family businesses. Fu et al. (2024) found that second-generation successors with international experience positively influence environmental investment in family firms. Maggi et al. (2023) examined the extent to which family firms differ from non-family firms in their environmental disclosure practices and how board gender diversity influences this difference. Moreover, García-Sánchez et al. (2025) investigated how CSR strategies affect firm value in family versus non-family firms, finding that independent directors enhance the value of CSR in non-family firms, mitigate the negative impact of CSR on family firm value (especially in later generations), and encourage family firms to balance external reputation with internal priorities. This latter study also reflects on the reputational impact of CSR performance and the importance of managing it as a family business, an aspect our study also reflects upon. Zhang et al. (2021) examined how companies use CSR disclosure to protect their reputation after financial restatements, finding that improved CSR disclosure helps mitigate reputational damage and firm value losses. Lastly, while Chen and Liu (2022) and Chen et al. (2016) highlight culture as a moderating factor, our study introduces external auditors as a new key player in shaping CSR performance in family firms. By demonstrating that audit fees (as a proxy for external auditor involvement) influence CSR performance, we expand the discussion beyond cultural influences to regulatory and market-based mechanisms. In doing so, we not only showcase the positive impact of external auditors on CSR reporting but also uncover subtle distinctions influenced by family dynamics and eponymy. This perspective provides a more nuanced understanding of how family firms' CSR performance is shaped by both internal governance structures and external professional oversight, thereby reconciling the conflicting evidence in prior research. Moreover, by examining how audit involvement as an external monitoring mechanism can spill over from financial to non-financial disclosures and shape CSR performance as recognized by the market, we advance theoretical frameworks on CSR heterogeneity in family firms, which have thus far emphasized internal dynamics.

Lastly, to the audit domain, our study contributes by highlighting that the auditor's potential to enhance CSR performance may not always be fully realized in family firms due to the presence of a willingness–ability paradox. While the prevailing

audit literature often overlooks the heterogeneity of family firms (Corten et al. 2015, 2017), this study underscores the necessity of addressing this heterogeneity.

This study also offers valuable practical contributions for family firms, auditors, and policymakers seeking to enhance CSR transparency and performance. For family businesses, the findings highlight the importance of considering external auditors not only as financial monitors but also as key facilitators of high-quality CSR reporting, which may help firms bridge the gap between CSR activities and stakeholder perception. For auditors and assurance providers, the study emphasizes the need to proactively engage with family firms, particularly those with high family influence, to address potential reluctance in fully leveraging audit insights for CSR reporting. Tailored audit approaches can help these firms overcome the willingness–ability paradox, ensuring that ethical and sustainable business practices are accurately communicated. For policymakers and regulators, the study underscores the role of audit fees as an investment in CSR transparency, suggesting that regulatory bodies should consider incentives or frameworks to encourage CSR assurance services, especially for family firms that may underreport their efforts. Finally, for investors and stakeholders, the study provides deeper insight into how external audits can serve as a credible signal of CSR commitment, allowing for better-informed investment decisions and stakeholder trust in family businesses.

This study also acknowledges certain limitations that warrant consideration and that provide avenues for future research. First, this study focuses on the U.S. context, where CSR reporting is mainly voluntary. While we expect similar effects of the auditor on CSR performance within other countries, the legal landscape can exert a significant influence. Whether an auditor is legally required to audit the CSR report, for example, might have a significant effect on the quality of the report. At the same time, the signaling effect of CSR reports may diminish in a context where CSR reporting is obligatory, which may influence the moderating family effects. Therefore, the introduction of the Corporate Sustainability Reporting Directive (CSRD) in Europe provides a very fruitful ground for future research as it strengthens assurance requirements for CSR reporting. Second, due to data limitations, our study could not directly assess whether auditors are involved in reviewing CSR reports, nor could it differentiate between integrated and separate CSR reporting. Since CSR disclosures in integrated reports may undergo greater auditor scrutiny than those reported separately, future research could explore this issue further by examining a context in which more fine-grained measures are available. Third, while our study underscores the pivotal role of external auditors in enhancing the CSR performance of family firms, the data and analyses of this study do not allow us to elaborate on how they precisely do this. Future research using a survey or even a qualitative research methodology could shed light on whether auditors primarily enhance report quality or actively intervene in enhancing the substantive sustainability of companies. Such research may also focus on the specific processes that lead to such improved CSR (reporting) performance and which dimensions of CSR are specifically affected by the auditor. Fourth, we use an ESG score that primarily relies on firms' self-reported data to measure CSR performance. As such, we cannot accurately determine to what extent the score reflects actual CSR activities versus enhanced disclosure practices. While we argue that improved CSR

reporting substantially contributes to the ESG score and serves as a meaningful expression of CSR performance, we are unable to disentangle these components in a more fine-grained manner. Future research could examine in more detail how external auditors influence CSR disclosure quality and whether such mechanisms also lead to improvements of actual CSR activities. Finally, while the focus on listed companies in CSR literature is justified by data availability, future research should encompass more private family firms and SMEs. Given their prevalence as the most common business forms, these entities wield a considerable impact on fostering or impeding the sustainability of the global economy.

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## Conflicts of Interest

The authors declare no conflicts of interest.

## Data Availability Statement

Research data are not shared.

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