Business Groups and Corporate Responsibility for the Public Good

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1. Introduction

Business Groups have garnered growing attention of management scholars over the last decade (Colpan, Hikino, and Lincoln, 2010). However, the mainstream management, and specifically the international business literature appears to treat the phenomenon of Business Groups (BGs) rather as an epiphenomenon. Given the significance of, and recent growth of BGs this is rather surprising. In many emerging economies such as Brazil, Korea, Indonesia or Turkey, BGs make up more than half of the largest firms (Khanna and Yafeh, 2007). 45 of the largest 50 enterprises in India and 28 of the largest 50 companies in Turkey are BGs and more than 80% of GDP in Korea is generated by BGs (Holmes Jr, Hoskisson, Kim, Wan, and Holcomb, 2016; Colpan, 2010). But it clearly transcends emerging economies: in Western Europe alone, there are some 26000 BGs, some of them of dominant influence, such as Wallenberg in Sweden, Agnelli in Italy or Mondragon in Spain. Beyond that in North America, Berkshire Hathaway, Koch Industries or the Weston group count among the most influential players in their respective industries (Colpan and Hikino, 2018).

One reason for this neglect seems to be that, as Williamson (1975) has argued, conceptually BGs straddle the sphere between markets and hierarchies. The phenomenon of BGs– despite having been more extensively explored by the literature in recent years, remains multifaceted (Colpan and Hikino, 2010; 2018). BGs are a set of legally-independent firms, operating in multiple and often unrelated industries, whose economic activity is controlled and coordinated via equity stakes, privileged control rights, interlocking directorates, informal ties and others (Khanna and Yafeh, 2007; Ararat, Black and Yurtoglu, 2015).

Until recently, economists assumed that diversified BGs could only exist in the absence of well-functioning markets as functional substitutes of efficient external markets and strong institutions (Leff, 1978), an assumption that is challenged by the prevalence of BGs not only in less developed but also in mature economies (Jones, 2015; Colpan and Hikino, 2018). A particular area of interest in BGs in management literature appears to be their at times considerable engagement in practices that fall under corporate (social) responsibility, corporate sustainability, corporate citizenship and similar labels which we here use synonymously under the umbrella term 'corporate social responsibility' (CSR; see Matten and Moon (2008)). BGs, particularly in emerging economies, in various incidents, offer remarkable levels of financial, organisational and technological investments into the wider public good of the communities, countries and regions in which they operate. Examples are numerous: be it family governed BGs in India or Turkey, be it some of the Korean Chaebols or Japanese Keiretsu, be it large BGs in Latin

America or Europe – it appears that BGs are particularly situated in addressing social needs, poverty, governance deficits and institutional voids in welfare state provision and public governance.

As such, the social roles assumed by BGs transcend the understanding of CSR in the traditional theory of the firm perspective. The latter sees corporate responsibility for the public good as voluntary policy choices, and activities which are expected to ultimately contribute to the bottom line (McWilliams and Siegel, 2001). Looking at the engagement of BGs for the public good though provides a much broader and richer picture. It includes those standard CSR practices but often goes significantly beyond this scope: in particular in developing/emerging contexts, BGs, through their charitable foundations- frequently named after the founders, or through their operating firms, address institutional voids, providing education and employment in areas where they are most needed, products and services which essentially substitute and emulate what would be considered welfare state provision in liberal developed democracies. Beyond that, BGs are pivotal to the functioning of markets, the organization of the economy, and the basic building blocks of the political economy, so that the question at the heart of this call for papers - the responsibility of BGs for the *public good* - is as much an open research question as it has the potential to refine existing debates on CSR.

This societal role, and the efficiency benefits of BGs, however, are far from being uncontroversial. Given their size and relatively high economic influence in their respective social contexts – BGs are often seen as being heavily involved in political rent-seeking (Kruger 1974; Schneider, 2010), investing primarily in political connections, as opposed to productive assets. Baumol (1990) argues that large, invasive, and corrupt governments can make political rent-seeking the highest return on investment, and that this can stall economic development. This can be a stable situation in which particular rent-seeking BGs do well – their investments in government connections yield high returns in subsidies, trade protection, tax breaks, and protective barriers to entry; as do the politicians who favor them; but the economy suffers from a lack of genuine investment in productivity-improving assets and thus stagnates (Morck, Wolfenzon and Yeung 2005). This is often referred to as an “economic entrenchment trap” since this phenomenon describes predominantly the strategic positioning of many BGs in emerging economies.

Other concerns regarding the responsibilities of BGs circle around their relationships with their shareholders: corporate governance processes in BGs have often been discussed rather controversially. The finance literature emphasizes the amplified conflicts of interest between controlling shareholders and minority investors in pyramidal structures built by controlling shareholders through a chain of equity ties that provide ample opportunities for direct (La Porta et al., 1999; Almeida and Wolfenzon,2005) or indirect tunnelling (Bebchuk and Hamdani, 2018). The main concern is that these organisations - often controlled by powerful families who through various instruments exercise control over the entire business with the purpose of maximizing their own wealth – thus disempower and often expropriate minority shareholders in the affiliated firms. During the past decades most of the empirical research in law and finance literature on BGs has focused on minority shareholder/investor expropriation through tunneling and self-dealing (Djankov et al. 2008) and the adverse effect of BGs on financial development (Almeida and Wolfenzon, 2005).

The knock-on effects can have disastrous impact on the depth and efficiency (often the mere existence) of capital markets in those countries and their ability to attract equity investments. The possibility of expropriation furthermore encourages various forms of corruption, as evidenced by the scandal around the Italian BGs Parmalat (Melis, 2005) in the early 2000s. From this perspective, the question of whether BGs are "paragons and parasites" (Khanna and Yafeh. 2007) is open to debate considering the structural effect of the collective dominance of BGs on the economy. Although this line of inquiry largely focuses on the BGs in the emerging and developing economies, developed economies have also been under the spot light (Belenzon, Berkovitz, and Rios, 2013; Carney et al., 2011)

Despite the growing attention BGs have received in recent years in scholarly debates, most studies focused on why they exist and why they are persistent contrary to the expectations a few decades ago; while their impact, roles and assumption of social responsibilities for the wider public good have only received scant and, at best, anecdotal attention in the literature. For instance, the Oxford Handbook of BGs (Colpan et al, 2010) – a comprehensive overview of the debate around research in BGs – does not feature a single chapter or index item referring to corporate (social) responsibility of BGs. It is here where this Special Issue attempts at filling a significant gap in the literature.

This article is organized as follows. We first provide an overview over the phenomenon of BGs and their basic features, as discussed in the relevant literature. We then characterize their CSR approach and explore existing theoretical framework regarding their potential to understand CSR in a BG context. We then highlight specific peculiarities of BGs in the context of CSR and their contribution to the public good. We then delineate some implications for the debate on CSR and the wider management literature which flow out of the analysis of BGs in this special issue. After briefly contextualizing the contributions of the special issue we then close with some perspectives for future research.

2. The understudied phenomenon of business groups

BGs play a large, sometimes a dominant role in many economies, however, empirical research on their economic outcome is scarce. BGs can broadly be described as "an economic coordination mechanism in which legally independent companies bound together with formal and informal ties utilize the collaborative arrangements to enhance their collective economic welfare" (Colpan and Hikino, 2010:17). The BGs literature often divides BGs into two broad subcategories: *network type* BGs and *hierarchy type* BGs although BGs around the world differ from each other widely with respect to organisational structure, and scope (Yiu, Lu, Bruton, and Hoskisson, 2007). Furthermore, BGs differ vastly with regard to geographical context and ownership structures. Figure 1 provides an overview over the different dimensions along which BGs have been analysed.

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Network-type of groups can be understood as "loose coalitions of firms which have no legal status (as a whole) and in which no single firm or individual holds controlling interests in the other firms" (Colpan and Hikino, 2010: 19). These groups do not have a central apex unit that has the potential to exercise control for the entire group, e.g. the Japanese horizontal keiretsu groups. Hierarchy-type BGs, on the other hand, "likens the BGs into a hierarchy in which a central unit controls legally independent operating affiliated firms that are tied together via several ties, including equity ties and interlocking directorates" (Colpan and Cuervo-Cazurra, 2018: 3).

The hierarchy-type of BGs are the most examined type of BGs in the management literature that are further researched from two different analytical perspectives. *Diversified BGs* can be understood as the "collections of legally independent enterprises, linked through equity ties and other economic means, which have a central unit at the helm that controls the affiliated enterprises in (technology or market-wise) unrelated industries" (Colpan and Hikino, 2018: 6). *Pyramidal groups*, on the other hand, are "two or more listed firms under a common controlling shareholder, presumed to be the largest block holder voting at least 20 percent or, alternatively, 10 percent" (Morck, 2010: 603). The focus of attention in the former is thus in the unrelated diversification of the groups, while the latter looks at the ownership structure and separation of control and cash-flow rights (Colpan and Cuervo-Cazurra, 2018). Though may be analytically different, in reality however, diversified groups and pyramidal groups often overlap (eg. Tata group in India, Koç group in Turkey or the Wallenberg group in Sweden illustrate both unrelated product diversification and pyramidal ownership structure).

The formation of diversified BGs has been explained basically from two theoretical perspectives: one that stresses environmental factors that drive the existence of BGs, and the other that considers intra-group organizational factors (Colpan and Hikino, 2010). The former can further be divided into two. First considers the immaturities and imperfections in product, capital and labor markets in developing economies as the main cause for the development of BGs. Because external markets in developing economies are underdeveloped, BGs emerge to form intra-group markets and fill in the gaps in the outside markets and market institutions (Khanna and Palepu, 1997; Khanna and Rivkin, 2001). Second comes from political economy and considers government support and favor such as direct subsidies and lower interest rates, as well as protection of the domestic market to a number of selected entrepreneurs to be the main cause for the development of BGs (Schneider, 2010). Thanks to those privileges and advantages the particular entrepreneurs enjoy, they can enter into a number of diverse industries, as has been illustrated by the South Korean chaebol during General Park Chung Hee's government (Kim, 2010). Finally, another perspective focuses on the resources and capabilities of entrepreneurs and their enterprises. It is because of the contact (with overseas enterprises and government in particular) and project execution capabilities that the groups in emerging economies develop, they can use such functional resources and capabilities to enter into a multitude of businesses regardless of the technological or market-related links between businesses. The upshot is the building of BGs (Guillen, 2000; Kock and Guillen, 2001; Cuervo-Cazurra, 2018).

Although BGs play a large role in several countries, and often occupy a dominant presence in many emerging economies, empirical research on their economic outcome is relatively scarce and mixed. The total value of a BG is difficult to calculate. First of all BGs frequently include privately held firms that are not subject to public disclosure rules. Second, even in the case of pyramidal groups with a public firm at the apex, holdings of the controller outside the group may not be visible at all. This opacity hampers the efforts to estimate the economic performance of BGs in a reliable way. While several studies report a positive association between BG membership and profitability (Khanna and Palepu, 2000; Fisman and Khanna, 2004; Claessens, Fan and Lang, 2014), these studies at most treat BG membership as a binary covariate, which drops out if one uses a firm fixed-effects specification (Ararat, Black, Yurtoglu, 2015). Further, whether BGs create economic benefits; that is whether the benefits of common control accruing to all shareholders exceed any private benefits of control that are at minority shareholders' expense is not clear. Calculating the total social welfare that includes the value of benefits accrued to all stakeholders is even more difficult.

Some economists argue for restricting or dismantling of the BGs (Morck, 2009, Bebchuck, 2011) on the basis that they hamper competition, create systemic risks, enable controlling shareholders to capture political rents and influence political decision making. The ongoing debate about whether the BGs can enhance welfare, and if so under which circumstances and in which contexts, is outside the scope of this SI, but we hope our findings and conclusions will inform this inquiry.

3. CSR and the public good in a business group context

It is in some ways axiomatic to our argument in this overview article, and in fact to the arguments proffered by the papers in this special issue of the Journal of Business Ethics, to not define CSR in detail. In fact, by including the relation of BGs to what we refer to as the 'public good' we intentionally cast our net wider than the plethora of the existing definitions and conceptualizations of CSR in a literature that, as we argue here, has been mostly informed by notions of Anglo-Saxon business looking at a specific corporate form. Our interest here then includes a generic understanding of business responsibilities to society that encompasses business activities that respond to social expectations and have an effect on the public good in the social, political, environmental and economic environment of the firm. In applying such a broad perspective we explicitly also include impacts of a detrimental or harmful nature on those environments – which rarely and only recently have entered the debate in mainstream CSR (Mena, Rintamäki, Fleming, and Spicer, 2016).

Group firms are different from independent firms from a CSR perspective for several reasons. First of all, CSR strategies may be motivated by group-wide strategies and considerations. For example, a BG with high level of investments in renewable energy, may sensitise all the firms in the group against climate change risks and encourage better environmental performance. Thus, it is not uncommon that BGs have group-wide CSR themes as building blocks of their corporate communication strategies. Second, the effect of reputational benefits (and risks) can be group-wide.

A novel theoretical framing for the nexus of CSR and BGs can borrow from the "institutional void" paradigm as coined by Khanna and Palepu (2000) especially in emerging and developing markets. This institutional framing is combined with the resource based view of the firm by El Ghoul et al. (2016) who report that CSR is more positively related to firm value in countries with weaker market institutions, providing some evidence on CSR as a non-market mechanism through which firms can compensate for institutional voids. These arguments can be useful in developing a theoretical framing specific to CSR and BGs in emerging economies, but not necessarily in developed markets.

3.1. CSR, the public good and the role of business groups

While several aspects of BGs such as their diversification conduct and pyramidal structures have been well researched, their business conduct and practices that fall under the notion of "corporate social responsibility" stay as an understudied phenomenon.[1] In order to establish a picture of the relevant literature, we first conducted a search of the titles and abstracts of the term corporate social responsibility and one of the following words: business group, pyramid, keiretsu, zaibatsu, chaebol, guanxi qiye, grupos economicos, conglomerates and group affiliation. We searched all the relevant articles through EBSCO Academic Search Complete and EconLit as well as Google Scholar. Then, we deleted those articles that appear more than once in different search terms and locations. As we manually checked all identified articles, we excluded ones that do not relate to the corporate social responsibility of BGs. Finally, we classified those articles according to their national focus, sample period, keywords, manuscript type, and key findings related to CSR in BGs. Table 1 shows the relevant publications in chronological order in terms of their publication year.

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As the table amply shows, the studies that examine the CSR activities of BGs are rather limited in number. They seem to have increased somewhat from the late-2000s with the overall increase on BG research in the management field. Those studies however examine a diverse number of emerging economies especially in Asia, and particularly South Korea. This may be explained by data availability about BGs in Korea. On the one hand, most studies argue BGs can effectively use CSR to justify their dominant presence in the economy and to further gain trust and acceptance of their status within the society. For instance, Min (2017) argues that Korean chaebol affiliated firms invested more on CSR activities to be more community oriented compared to non-chaebol firms after the 1997 financial crisis. As the Korean firms experienced legitimacy and sustainability threats with the financial crisis, chaebol firms effectively used CSR strategies to regain their social legitimacy. Cho, Chun, Choi (2015) also argue that chaebols tend to adopt CSR more efficiently than non-chaebols. Chaebols also have the tendency to fit CSR activities adopted domestically into their international diversification strategies. Studies looking at other nations such as India and Sweden, for instance the studies by Shah (2014) that examine the Tata group and Hoque, Uddin, Ibrahim, Mamun (2014) that analyze the Volvo group respectively, similarly argue that the CSR strategies of these groups have helped the enterprises to gain trust among their stakeholders and to curb potential regulatory interventions.

[1] If we consider their 'institutional filling' and national development as a public good as well, then of course there is more work on this as shown in the review by Khanna and Yafeh 2007.

On the other hand, however, there are also a number of studies at the opposite end, which see the CSR investments of BGs as less extensive than non-BG firms, which are also used in superficial and socially-detrimental ways. For example, Oh, Chang, Martynov (2011) argue that managers in family owned BGs in South Korea are likely to use their power to only enrich the family at the expense of other public stakeholders. This in the end reduces the BG affiliated firms' CSR investments as well as CSR ratings. Further, Choi, Lee, Park (2013) examine the relationship between CSR ratings and level of earnings management and find that such relationship is weaker for chaebol firms and firms with highly concentrated ownership. The authors thus argue that CSR practices can thus be abusively used by BG affiliated firms in South Korea to conceal their poor earnings quality. CSR activities by BG affiliated firms may thus be employed to hide managers' opportunistic behaviors.

3.2 Applying existing frameworks of CSR to business groups

So far, we have argued not only that BGs are quite different institutions compared to forms of business which dominate much of the Anglo-Saxon discourse in business studies. In the preceding paragraph we also adumbrated some of their core activities and exposure to CSR and the public good. Ultimately, our goal with this special issue is to open the black box of what, descriptively, the exact nature of the firm looks like in many of the emerging and developing economies dominated by business, and by that token, descriptively encompass their CSR activities. Ultimately, as some of the papers in this special issue attempt to varying degrees, the goal has to be to theorize CSR related activities of BGs and come up with an alternative account of the nature of CSR in BGs.

To that end then it is rather pivotal to, first, analyze and probe the potential of existing theoretical approaches to CSR for the context of BGs. Such a discussion appears useful, and in fact necessary, for a number of reasons. First, much of the work on CSR – even if generated with a rather different type of the firm as an empirical backdrop – might still have a partial application to BGs, too. In that sense, research in this new area should be cautioned against, as it were, 're-inventing the wheel'. Second, and more important for theory building, it is pivotal to identify the limits of existing theorizations of CSR in order to build a more astute theoretical understand of CSR in BGs. We are aware, that our work here is all but a start of this project and we thus offer our analysis for future research on the trajectory of theorizing CSR in a BG context.

3.2.1. Carroll's model of Corporate Social Responsibility

Definitions of and approaches to theorize CSR abound. They all differ mostly on the criterion that they reflect a specific social context (the 'S' in CSR) in which firms assume their social responsibilities. One of the more generic theorizations though, which to some degree encompasses most of those definitions and has been dominating the strategy and CSR literature on CSR for almost four decades is Archie Carroll's 'pyramid of CSR' (Carroll, 1991). Carroll argues, that CSR is a construct that can be disaggregated into four main aspects, which successively built on each other and where the fulfilment of the previous are of responsibility is a condition of the subsequent area of CSR. These areas are, first, ‘economic responsibilities’, followed by ‘legal’, ‘ethical’ and ‘philanthropic’ responsibilities.

While we refer for details to the literature on Carroll’s framework, a few remarks seem appropriate. In the light of our discussion of main areas of CSR related engagement of BGs above it seems somewhat odd to place economic responsibilities as the first and most important responsibility of firms. In the light of the CSR activities of BGs it appears that philanthropy almost in most regions of the globe take a preceding role. This argument concurs with Visser’s (2008) adaptation of the Carroll pyramid for a developing country context (even though Visser eschews the question whether this is linked to a specific corporate form, such as BGs, see below). Rather than being the ‘icing on the cake’, as it were, philanthropy is a core social expectation which is not just ‘expected’ but in fact ‘required’ (to use Carroll’s attributes here) form companies. From a different perspective, philanthropy is not only a first order response but also a legitimacy instrument that represents a “compensation” or a “pay off” to the society for the privileges and protections offered to them by the state (Ararat, 2005; Bugra, 1994)

Similar differences appear once we look at the nature of the different categories in Carroll’s model. As we pointed out above, and as some of the papers in this SI point out, economic goals of BGs are often much more long term oriented, much less reflecting immediate consumer demands in the market and short-term return interests of shareholders. Perhaps most obvious these differences become if we scrutinize ‘legal’ responsibilities of the firm. In the Carroll model these basically boil down to compliance. As we outlined above, BGs however, with their intricate relations to governments in the jurisdiction of their operations are less like passive pawns in the hands of law-making institutions but in many cases assume a role that actually actively shapes their legal framework. Moreover, in a context of institutional voids – to which a sizeable amount of BGs owe their existence and operational discretion, compliance with legal demands and rules is often a rather negligible social expectation on these businesses, especially when governments lack public acceptance.

In conclusion then one could argue that Carroll’s model has some leeway in structuring and identifying social responsibilities of BGs. With regard to their prioritization, as well as to the specific demands and social expectations placed on BGs the model seems to be largely overlooking and misemphasizing different aspects of the four aspects of CSR.

3.2.2 Stakeholder theory

Stakeholder theory (Freeman, 2010) in its origins has rather strong roots in the (American) model of a shareholder governed firm, based on the classic separation between ownership and control (Berle and Means, 1932). In essence, stakeholder theory challenges the agency model, with shareholders as the only residual claimant on the firm whereby the objective of maximizing shareholder value ultimately maximizes the total welfare, and replaces it with a model where all parties affected by, and who can affect, the success of the firm have a legitimate claim on the firm to consider their interests. As such it is surprising that much of the literature engaging with CSR in developing countries and, in particular BGs, takes stakeholder theory as an appropriate framework (e.g. Rossouw, 2005).

On the surface this might make sense. After all, many BGs, certainly in the way they treat their employees or with regard to stakeholders that are recipients of their philanthropic engagement, appear to follow much more a model that sees the firm catering to a multiplicity of stakeholders. There are, however some crucial differences between the model of the firm stakeholder theory refers to, and certain fundamental trays of BGs.

First, the clear separation between 'the firm' and 'shareholders' or 'owners' – as inherent in much of stakeholder theory (Freeman, 2010) – is somewhat more complex in the case of BGs. In BGs, the controlling owners often have the formal or informal authority to appoint the majority, if not all, of the board members even if they don't own the majority of the shares. In family controlled BGs the controlling family members frequently sit on the boards themselves. Independent directors that are mandatory in most countries are rarely genuinely independent in controlled BGs (Bebchuck and Hamdani, 2016; Puchniak and Kim, 2017). With the exception of the lower level firms in pyramidal BGs where ownership and control are relatively more separated, the term "owner-control" characterizes the BG' governance.

Second, and closely related to the previous, the underlying purpose of BGs is vastly different from what underlies stakeholder theory, certainly in its descriptive and instrumental versions (Donaldson and Preston, 1995). From this perspective, stakeholder theory is often applied as a more realistic model for the firm to achieve its purpose, i.e. maximizing profits and shareholder return in the long term. Certainly, a large chunk of the CSR literature that refers to stakeholder theory is shot through with case-thinking; 'roping' in stakeholders and respecting their interest is just a 'smart' way of attaining this ultimate goal. As we discussed above, the purpose of many, if not most, BGs is somewhat more complex. Famous here is the often quoted statement by Jamsetji N. Tata, Founder of the Tata Group in India: 'In a free enterprise, the community is not just another stakeholder in our businesses, but is in fact the very purpose of its existence' (Tata and Matten, 2016). BGs pursue a multiplicity of goals, and profitability is often not the dominant concern, certainly not short or mid-term. As we will see in the next section many BGs see themselves rather as an intricate part of a certain societal, national or regional context to contribute to at various level is a more dominant concern.

Finally, there are also palpable differences in the reasons for stakeholder engagement in BGs. The original model assumes some kind of 'enlightened self-interest' on the side of a corporation that understands that its success is predicated on an equitable relationship to all groups affecting the firm's success. In many cases, especially in contexts of poor governance, vast income inequalities or institutional voids, engagement with stakeholders for BGs is more of a necessity, a necessary evil, rather than a deliberate engagement. In this context it is worth noting that in some jurisdictions dominated by BGs, most notably India and China, nowadays stakeholder engagement is no longer voluntary – which is a longstanding assumption about CSR activities incl. stakeholder engagement in the West. Afsharipour and Rana's (2017) analysis suggests that efforts to develop a Chinese or Indian CSR model that 'deviates from the voluntary CSR model of the West is in part rooted in the desire of each respective government to address uneven economic development, widening income disparities, and increasing public dissent in both countries'. Hence companies in those countries face mandatory requirements to engage and respect their stakeholders – which flies in the face of much of the assumptions of stakeholder theory, certainly in their normative interpretations (Donaldson and Preston, 1995).

3.2.3 Corporate Citizenship

Following the popularity of the ‘citizenship’ metaphor, corporate citizenship has gained traction as a theoretical concept in the broader CSR literature (Crane, Matten, and Moon, 2008; Matten and Crane, 2005). The gist of this debate, however, sees corporations closer to the role of governments than the role of citizens (see below). This is due to the fact that the corporate role in society, manifest in some – but not exclusively – of their CSR activities resembles strongly the role of governments in their role of guaranteeing and catering to citizen’s entitlements in a liberal democracy.

This framework has indeed a rather rich application to BGs. Citizenship encompasses a bundle of rights, which differentiate into social, civil, and political rights. With regard to social rights, i.e. citizen’s entitlement to access basic elements of welfare state provision, we see that the philanthropic engagement of many BGs is directly engaging with those social rights. Access to health, education, affordable transport, basic social security are all activities taken on by government in post-war liberal democracies. In contexts of poor governance, poverty or institutional voids however, we see BGs stepping into the lack of governmental catering to these rights. Similarly, we see a role of BGs in dealing with civil rights, i.e. rights to protect individual freedom from external interference. These include property rights (incl. free markets for goods, labor and capital), freedom of movement, freedom of speech, freedom from bodily harm. In this area, the picture is somewhat mixed. In some cases, large BGs might play a role in providing these rights, as in respecting property rights of landowners or implementing health and safety measures. But one might also argue that their power and influence in their respective environments, put them in a role that infringes some of these rights, as the paper by Pattnaik et al in this special issue suggests.

A third element of citizenship rights are political rights, i.e. the right to participate in societal governance processes. We will discuss this in the next section.

3.2.4. Political CSR and the firm as a political actor

Over the last decade a new debate has emerged in the wider CSR debate around the corporation as a political actor. Most dominantly, some authors have coined the term political CSR (Scherer and Palazzo, 2011; Scherer, Rasche, Palazzo, and Spicer, 2016) to describe the role of private businesses in wider societal governance. By political processes the debate refers to the authoritative allocation of values and resources in society – a role initially ascribed to governments, certainly in liberal democracies. While Scherer and Palazzo (2007) initially confine this role to Habermasian processes of deliberation, the wider debate encompasses a general role of business in a number of arenas where decisions around the wider governance of society are taken.

In the context of BGs the notion of political CSR is quite a powerful conceptual lens to theorize their CSR related activities. Given the size, power, market dominance and accumulated capital associated with these firms in many ways their CSR related activities (or the absence thereof) – be it internally in the way they treat their employees, or externally the environment or compliance with the law etc., puts them in a position to play a key role in the governance of their respective societal contexts. Beyond that, in particular in the way they, for instance, govern markets, structure access to and allocation of capital, or collaborate with governments in shaping the legal framework for the economy, BGs wield considerable political power in their respective societal environments. Some of the contributions in the special issues speak quite unequivocally to such a role.

4. Core issues in analyzing business groups from a CSR angle

The papers in this special issue highlight some of the specifics of CSR in BGs. Emerging themes focus around (1) the relation between CSR and the governance of the BG, most notably the influence of ownership, (2) the dominant role and specific nature of philanthropy as the main expression of CSR in BGs, and (3) the corporate (ir-)responsibility in the market power and control of BGs and their relations to governments.

4.1 Corporate governance and the role of ownership

Governance of controlled companies has been a key concern from the perspective of economic responsibilities. The primary governance problem in controlled firms concerns the agency problems between controlling shareholders- the ‘common controller’, and public investors. In BGs, the common controller has the incentive to monitor and discipline management and enhance the collective value of the affiliated firms. Furthermore, in weak institutional settings a good reputation of the controller can facilitate trust among investors, customers, and suppliers. However, common controllers also may have the means to divert value between the group firms and to the outside of the group at the expense of minority investors (Holmen, Hogfeldt, 2009). The propensity of value diversion and overinvestment is higher in pyramidal BGs where voting rights are separated from cash flow rights, especially at the lower levels of the pyramid where the controller can control the firm without risking proportionate amount of capital. The diversion of value can take many forms including related party transactions that favor them or excessive compensation to the managers affiliated with the controller (Bae et al, 2012). The propensity to divert value results in large discounts in the market value of individual firms within the group (Claessens et al., 2002).

A particular corporate governance issue from CSR perspective is the opacity of group governance arrangements and informal conrol structures. The non-existence of pyramidal BGs in the US and UK, whose corporate governance norms have inspired the emerging and developing economies, largely ignore BGs. The concepts of “piercing the corporate veil” and “shadow board” where the actual directors of a company are accustomed to act in accordance with an outsider’s directions or instructions has not been explored in BG context and have not been adequately addressed in corporate governance regulations with a few exceptions (e.g. see Reich-Graeffe (2005) on German Stock Corporation Act, and Cankorel (2015) on Group of Companies in Turkish Commercial Code).

Another corporate governance concern is the value diversion from the companies to the charitable foundations, of which the income consists of donations by the BG affiliated firms.

These foundations enhance the reputation and the credibility of the controlling shareholder, frequently a family, at the expense of minority investors (Kim et al, 2017, Bae et al., 2012). Whether the benefits of good reputation of the controlling shareholders enhances the value of BG firms is an empirical question. It is possible that CSR investments may decrease firm value through opportunistic exploitation of resources by controlling shareholders (Pagano and Volpin 2005; Masulis and Reza 2015).

The first two papers discussing the specific governance structures of BGs and their effect on CSR draw on data from Korea and India – two countries with quite a substantial influence and dominance of BGs in the local economy.

Choi, Jo, Kim and Kim's paper in this special issue attempt to answer two related questions: whether the CSR behaviours of group firms are different from those of non-group firms, and if so, whether and how such behaviors are related to the ownership disparity between cash flow right and control rights referred to as 'wedge' and associated with the propensity to expropriate (Villangola andAmit, 2009) . They first provide convincing evidence that group affiliation is associated with higher overall CSR proxied by the environmental and social performance ratings of the affiliated firms, however; cash flow-control ownership disparity by controlling inside shareholders of group firms is associated with lower CSR. They argue that these results indicate that opportunistic rent-seeking behaviours by controlling shareholders may reduce resources available for CSR in affiliated firms. An interesting result of their study is that BG affiliation is associated with lower Tobin's Q, but it may enhance firm value if group firms practice CSR consistently. Furthermore, the authors provide supporting evidence that the effect of long-term consistent CSR, on shielding the firms from reputational damages recently documented by Shiu and Yang(2017), is stronger for group firms especially at the time of group-specific negative events, buffering them from bad outcomes.

In a similar comparative vein, the paper by *Ray and Chaudhuri* examines whether BG affiliated firms differ from non-BG affiliated firms in their corporate sustainability strategy (CSS). They also look at how the BG affiliation influence the relationship between stock of fungible resources and CSS of firms. By using a proprietary data set of 163 Indian publicly listed firms (that include both BG affiliated and non-affiliated firms), the authors show that BG affiliated firms tend to adopt environmental and social sustainability strategies more than non-BG firms. The major factors contributing to BG affiliated firms to implement more CSS is that BGs tend to focus more on building and maintaining group-level identity, are less sensitive towards short-term financial performance, have historical roles in filling up institutional voids and benefit from the inter-firm network that they are parts of. Furthermore, the authors also show that stock of fungible firm-level resources are less important for the CSS of BG affiliated firms, as they have access to the BG network and can benefit from the resources within such network that they can readily exploit.

The paper by *Terlaak, Kim and Roh* focuses in particular on the thorny issue of family ownership and its relationship to CSR. In particular the aspect of disclosure of CSR is an ambiguous issue in BGs as family ownership in general makes BGs more secretive and lowers the propensity for disclosure – with all its negative and ethically questionable implications. The findings of this paper though point to aspects beyond this tacit assumption: by looking at levels of family ownership as well as family leadership of the BG the paper demonstrates that higher levels of ownership, and the engagement of a family member as CEO or other leading roles within the group enhances the levels of disclosure. This points to an interesting conclusion: if a certain family is closely engaged and actively involved in a BG the positive effects of reputational gains of CSR appear more attractive, as they directly enhance the public perception not just of a BG, but also of its controlling family.

4.2 Corporate philanthropy as a dominating form of CSR

Three papers in this special issue focus on the philanthropy and provision of social goods as a main form of CSR of BGs, mostly linked to their dominant presence in developing and emerging economies. A theoretical paper by *Cuervo-Cazurra* conceptualizes the evolution of CSR investments by BGs in different stages of economic development based on the interaction between two drivers; the level of infrastructure deficiencies and the cost of externalities resulting from their economic activities. His model foresees a quadratic "CSR investment level" function based on the level of economic development. In underdeveloped economies, CSR investments are predicted to be higher and focused on the social dimensions of CSR through philanthropic investments, whereas as economies emerge and infrastructure deficits become lower, CSR investments evolve to a richer environmental and economic responsibility, albeit at a lower level. The level of CSR investments would go up again as economies become advanced. In advanced economies CSR investments become a source of innovation and competitive advantage for the group firms as they address and minimize negative externalities specific to the group. As such the model provides a useful theoretical reference frame for studying the engagement of BGs in furthering the public good with a historical perspective. Much of the CSR of BGs in developing economies is targeting infrastructure deficiencies, social needs – and thus in general – philanthropy – as illustrated by some of the empirical contributions in this special issue. This is also consistent with the existence of BGs in the first place which is more prevalent in developing and emerging economies, where hierarchy and networks, rather than markets and a reliance of functioning institutions makes the specific form of organising of these economic actors makes for a more efficient form of organising. The paper highlights also the necessity for further research in the specific nature of the firm in those economies: while comparative studies in CSR in developing countries abound, there is very little attempt to explain those specific forms of CSR with the specific nature of those firms (e.g. Jamali and Karam, 2018). Cuervo-Cazurra's article also discusses three types of contingencies in the relationship between the CSR and the level of economic development; industry effects to incorporate resource intensity, societal values and culture, and the level of democratization. The proposed framing might offer a fruitful basis for further investigation into these issues and to open the 'black box' of BGs, which still characterize much of the literature on CSR in developing economies (Jamali, 2016).

The paper by *Griffin and Youm* casts light on two specific differences between CSR in BGs and CSR as discussed it in most parts of the traditional literature. First, the paper illustrates that the business case argument of CSR is of little importance to BGs, as they demonstrate with their sample of Korean chaebols. Rather, the main argument for engaging in CSR activities is the search for social legitimacy of those large BGs which have obviously a strong visibility, presence and power in the Korean economy. Second, the paper illustrates that the core focus of

CSR for many of those BGs are still philanthropic or charitable contribution, a finding echoed by other studies looking at CSR in a comparative perspective (Witt and Redding, 2013). This aspect also reveals one of the points made earlier that account for a relative dearth in studies, i.e. the accessibility of data and the transparency with which CSR is conducted by BGs. The reason for this, as the authors speculate, is more due to the fact that philanthropy as part of CSR is more seen as part of the general, institutionalised role of BGs in Korean society, rather than a specific activity deemed CSR. This social role assigns corporations a more implicit role in their prosocial behaviour, rather than perceiving this as a strategic choice and part of managerial discretion.

High-quality corporate giving data are available in Korea, since companies report their charitable contributions on the audited financial statements. Making use of this data, *Oh, Chang, Lee and Seo's* investigation sheds some light on the relationship between philanthropy and related party transactions between publicly listed firms within the group, although the authors investigate the relationship with the theoretical lens of the "attention based view of the firm" (Ocasio, 1997). Simply put, their results suggest that publicly listed BG firms with higher levels of "intragroup" sales have lower levels of corporate philanthropy. Using data on Korean BG firms, their results suggests that decision makers will increase the level of corporate philanthropy at the publicly listed group-firm level when the firm is less dependent on intra-group sales and dependent more on external markets. This negative effect of intra-group sales on philanthropy is positively moderated by the level of presence of outside (independent) directors above the level of regulatory requirement, and the level of foreign investor ownership, suggesting that the level of corporate philanthropy decreases when the firm opts for increased monitoring by outsiders. These results may support the view that BGs firms may not be homogeneous with respect to their corporate social responsibility practices subject to the individual role the firm in the internal market, the relevant importance of external markets and the strength of corporate governance.

4.3 Market control and government relations

One of the interesting aspects of discussing CSR in a BG context is the fact that besides their considerable engagement in philanthropy their broader impact on society goes beyond the classic 'toolbox' of CSR (according to textbook definitions such as Carroll's, above). In many countries of their operation their dominant social role is that of providing access to vital goods and services. As such, they have historically enjoyed special relations and protections from governments in many countries, and due to their often market dominating role, have wielded considerable control over the economy. As such, as Khanna and Palepu's (2007) meanwhile classic question as to whether they are 'paragons' or 'parasites' is also vital for the assessment of their contribution to the public good beyond their explicit CSR policies and activities. As such, quite a strong element of BG's CSR can be referred to as 'implicit CSR' (REF), i.e. that BGs contribute to the public good just through their institutionalized role in their particular economic context. There are two papers in this special issue which deal with this ambiguous impact of BGs on the public good and highlight what we could refer to as the dark side of CSR by BGs.

The paper by *Pattnaik, Quiang and Gaur* casts a somewhat different light on the role of BGs in emerging markets. In the language of Carroll's model of CSR (see above) the authors argue, first, that BGs play a rather ambiguous role with regard to the 'economic responsibilities' of the firm. While BGs often provide essential goods and services in developing and emerging economies, their size and control of markets results in relative competitive disadvantages for smaller, independent businesses. Pattnaik et al examine such market control in the Indian context and provide a differentiated picture of the nature of such market dominance of BGs and the entry barriers for new market entrants they can impose. Overall, they find that concentration of industrial investment activities by BGs is economically counterproductive in the long run due to the entry barriers that they create for unaffiliated firms and smaller BGs. The paper extends the earlier analysis of the effect of BGs on capital markets (Pattnaik et al. 2013) to product markets. It also contextualises the influence BGs can wield on regulators and, in general, the government of those countries by dint of their size and basic provision of vital goods. As such this paper also hints at the political role BGs might assume in their specific societal contexts.

An interesting inquiry by *Su and Tan* focuses on off-shore companies in tax -havens in BGs. Having offshore companies in tax havens may enable the groups to bypass some market transaction costs and overcome institutional constraints, protect assets against volatile markets, but may also provide the opportunity to evade taxes and disguise unethical or illegal conduct, such as political donations and bribery. Prior research suggests that larger and more diversified BGs are more likely to engage in self-dealing, tunnelling and political rent-seeking (Claessens et al, 2002). Su and Tan, investigating the BGs in Taiwan, report that more diversified BGs are also more likely to establish off-shore companies in tax-havens. Their results suggest that pro-social orientation, measured by the level of BG's charitable establishments have a negative moderating effect on this relationship for internationally diversified BGs, but has no effect on the BGs with high levels of industry diversification. A secondary finding the authors report is that the BGs with more off-shore companies in tax havens have lower effective tax rates.

5. Business groups and their social role as an understudied phenomenon

By and large, the phenomenon of BGs and their role in CSR as well as their relation to the public good can be considered an understudied phenomenon. There are a number of reasons for this. First, one could argue that academic institutions and research work in many of the countries in which BGs are dominant players, on the whole, have only recently found a stronger voice in the global, Anglo-American discourse on management research in general, and in particular in CSR research. Another reason might also be, since BGs are very strongly embedded in a particular culture and local institutional frameworks, access for global researchers could often be mired by obstacles, incl. language barriers, lack of networks and limits in an intricate understanding of local contexts. At the same time, all those regions of the globe where BGs are pivotal players in the economy are also those areas where we see the largest growth in academic research currently alongside with their increased collective economic significance. It is our hope that a special issue that deliberately makes BGs as a specific corporate form the center of investigation, can open a discourse that might inform and inspire future research in this area.

Building on the last observation it has to be said though that, indeed, we have seen a surge of research in CSR in developing or emerging economies (Jamali and Karam, 2018). Looking at this literature though, there is often a very blunt application of theories and concepts generated by the global discourse to the West. And while some work in this area appreciates and conceptualizes the specific institutional context of those developing countries, the tacit assumption of much of the work is still that businesses in those parts of the world are basically the same as in developed/Anglo-Saxon economies. Basically, the firm more often than not is treated as a black box. Data limitations are also constraining; prevalent disclosure standards largely built upon the experiences of developed markets do not recognize BGs as a reporting entity. Consequently, empirical studies typically operationalize BG affiliation as a dummy variable at the individual firm level. Even then the data on affiliations are frequently provided by country specific institutions or stock market guides in only a few countries such as Korea, Taiwan and India. This explains the relatively richer literature on BGs in those countries and the focus of submitted papers to our call for papers on BGs and CSR. In this special issue we hope to have at least opened the black box somewhat to allow an appreciation of the specific corporate form in many of those contexts and regions. We argue that it is vital to understand the idiosyncratic nature of business in these contexts to explain and theorize their CSR approach and their impact on the public good.

It is here, where we would argue that this special issue can actually make a contribution not just to what many might still consider an epiphenomenon of business studies – CSR – but feed in and inform ongoing debates on the nature of the firm and its boundaries. For quite some time management academy has raised the question whether we still base our academic field on an adequate theory of what a firm actually is. Latest since the financial crisis of 2008, but already earlier in the aftermath of the crises around 2000, anxieties around the adequate model of the firm have been increasingly subject of an emerging debate (Baars and Spicer, 2017; Barley, 2007; Child, 2002). Those concerns are particularly informed by an apparent lack of social responsibility of business as an institution and its detrimental influence on the public good, as exemplified by the ripple effects of the financial crisis globally.

One of the reasons then, we would posit, why BGs have so far played a marginal role in those debates then has to do with the challenge that they do not fit into the currently still dominating model of the firm in management academia. One of the milestone contributions on this ongoing debates by Donaldson and Walsh (2015) might serve as both an illustration for why BGs have played such a marginal role in the debate, but also for understanding how a more adequate theory of the firm might open a larger conceptual space to integrate BGs as one pivotal institutional template for what a firm looks like.

Place Table 2 about here

Donaldson and Walsh suggest a new theory of business which, they argue, empirically and normatively provides a more realistic and societally more beneficial understanding of the firm (see Table 2). If we look at the characteristics of the neo-classical theory of the firm, it is very clear by now that many of those features have only a limited application to BGs – if at all. Certainly with regard to Purpose, Accountability or Success, BGs differ at times quite considerably from such a theoretical model of what a business is about.

Examining what Donaldson and Walsh suggest as an alternative theory of business it becomes immediately clear in the light of our discussion in this paper so far, that empirically many BGs come quite close to these features. This applies most notably to the purpose of the firm: many BGs (particularly in emerging economies) understand their role in society in a much more comprehensive way not just as maximizing the value of the firm presently, but doing so for future generations (for instance in the case of family ownership, see Weston, 2016) or for a wider constituency of communities affected by the BG. This wider purpose for many BGs also informs the scope of accountability of the firm, as some of the papers in this special issue demonstrate. In particular BGs which have a longstanding tradition in CSR (or their predecessors such as paternalism) see the dignity of their wider community at its core. The textbook example is certainly the Tata BG where management from its inception until today sees itself intricately involved in 'nation building' against and after British colonial rule. In a similar vein the notion of collective value, or in other words, a contribution to the public good, is something BGs are much more open to. Many BGs see themselves rather as an intricate part of a certain societal, national or regional context to which to contribute at various level is a more dominant concern. This may be related to the fact that diversified BGs are exposed to the spill over effects of externalities from one industry at a cost for other industries they operate in; they are long-term oriented, and the health of the collective business is more sensitive to country risks. From this perspective the reference to the controlling shareholders of BGs as 'national owners' is analogous to the conceptualisation of global diversified investors as 'universal owners'(Hawley, 2007).

Linking the contributions of this special issue then to the ongoing debate about an adequate theory of the firm reveals that any pursuit of this nature has to look at alternative ways to organize private business in a capitalist system and to look beyond the model that currently dominates most developed, and especially Anglo-Saxon, economies. In particular the focus on CSR and how BGs relate (for better or for worse) to the public good suggests a much broader remit and role of business. While the CSR literature in recent years has opened up to look at other forms of business, such as SMEs, family owned businesses or state owned enterprises, the focus on BGs can enrich and inform this debate significantly.

6. Conclusions and directions for future research

In conclusion we would argue that this special issue in its exploratory nature can provide the contemporary scholarly debate with some impulses in many directions. First, we would argue, that engaging with BGs as a specific actor in organizing CSR and the corporate role in society in general can contribute to a more refined understanding of the nature of the firm, its boundaries, and its implications for CSR. Second, this special issue can in some ways empower and lend a voice to CSR related research in emerging economics and more generally those parts of the globe out of which currently a flurry of CSR related work is currently originating and where the bulk of graduate research is expected to be generated within the next decades. Finally, investigating the social role of BGs provides a unique perspective on the ambiguities of CSR and the ongoing necessity to find broader, system level solutions to many of the criticisms contemporarily levelled against the corporate role in society.

6.1 The nature of the firm

Regarding the nature of the firm it is striking that despite a surge of work on CSR and business ethics in the developing and emerging economies there has been little attention to the specific nature of the dominant firms in those parts of the globe. The tacit assumption in much of this body of country-, regional- or comparative studies is to treat firms as a 'black box' and tacitly assume that companies in, say, Korea, India or China are basically similar and comparable to the publicly owned, shareholder governed firm that dominates much of the management literature. This pertains particularly to the influence of family ownership and state ownership of BGs – even though the latter aspect did not feature prominently in this special issue. As Matten and Moon (2008) have argued the shape and content of CSR is heavily dependent on the 'nature of the firm' and it is therefore indispensable to understand the forms of CSR enacted in emerging economies in which BGs are dominant players.

A great example for the perils of ignoring the nature of the firm is the rather confused and misleading ongoing debate in Western scholarly outlets around the Indian Companies Act 2013 (Gatti, Vishwanath, Seele, and Cottier, 2018). Such criticism focuses on the issue of making CSR mandatory and around the question whether this legislative approach assigns corporations a role that ideally governments should assume. The logic of the Companies Act though becomes only clear when understanding the specific nature of the firm. In mandating 2% of net profits to be spent on CSR for the 6000 largest Indian companies the intention of the Act clearly targets the already existing capacities, skills and governance mechanisms of companies to provide basic welfare provision (i.e. hitherto philanthropy or charity). Rather than just taxing companies the idea is to avoid more resources flowing into a largely inefficient and often poorly governed public sector but to use the already existing governance infrastructure of BGs as dominant actors in the Indian economy to deliver those social goods. The rationale of such an approach can only be understood if, on the one hand, one appreciates the institutional voids and deficiency of the public governance system in India, and on the other hand the considerable capacity of private businesses to actually deliver those welfare state provisions. From a lens of corporate citizenship and the political nature of CSR such a role of corporations is just consistent. The controversy and the dismissal of the Indian approach then is largely based on ignorance with regard to the specific capacities, roles and governance structures of BGs in India.

6.2 Geographical context of Business Groups

This special issue is quite focused on emerging economies, most notably India and Korea. In some ways that is not surprising given the large significance of BGs in these countries. Arguably, it also reflects a fairly developed community of scholars – local or based elsewhere – with an interest in the role of businesses and CSR in these specific countries, and an institutional environment that makes sufficient data available. As the paper by Cuervo-Cazurra points out, the developing or emerging economy context presents a specific context that has strong influence on the nature of CSR and wider pro-social activities of BGs. It also argues further that the nature of CSR changes quite significantly with development, resulting in a shift in focus from social to economic and environmental aspects of CSR. This difference is already visible if we compare the papers with data from India to those with data from Korea in this special issue. Although not specifically focused on BGs but built largely based upon interviews with leaders of BGs in emerging markets, Gao et al.'s (2017) theoretical paper proposes that in emerging markets, a favorable reputation acts as a "meta-resource" that allows a firm to activate its conventional resources and overcome information-based voids. They further propose that in emerging markets, a favorable reputation can be a source of long term survival and enables a firm to capitalize on new opportunities and buffers firms against threats. The greater the extent and degree of institutional voids in an environment, the greater the upside of reputation's meta-resource effects will be the authors propose. This framing is in line with the suggestion to look at BGs' CSR from a development perspective.

BGs, however, also exist in developed, Western economies. Many of the large influential companies in Sweden, Italy, or France, but also several enterprises in economies dominated by the 'Anglo-Saxon' model of the firm, such as the USA, Canada or Australia, are BGs. As such, their CSR approach has been understudied and the black box of the nature of the firm in those specific countries has been underexplored. For instance, there is quite a substantial body of work on the specific Scandinavian forms of CSR, based on some 'Scandinavian model' of business (e.g. Strand and Freeman, 2015). There is however very little appreciation that such a model is crucially dependent on a different understanding and practice of what a corporation is and how it relates to the political economy and to the implicit contract with the social democratic state. The absence of short termism, the focus on stakeholders beyond shareholders or the focus on local communities and the interests of a certain region or country in Scandinavian firms is not just a cultural attribute of these countries. It is rather predicated on a historically grown different model of what a firm should be in purpose, intent and execution that informs a different approach to corporate contributions to the public good and, more contemporarily, CSR. An explicit appreciation then of the nature of the firm would lead to a better and more powerful explanation of CSR in those countries and why and how it differs from other societal contexts. Overall, we suggest a context based theoretical approach to CSR of BGs with no convergence to a standard global model that focuses on the evolution of institutions within countries.

An emerging and even less understood phenomenon is BGs formed through government controlled investment companies and sovereign wealth funds. This form departs from the state controlled BGs in China where the control is established through the political party in power. In case of Ministry of Finance Incorporated in Malaysia for example, the majority of chairmen are current or former politicians and bureaucrats although the operational management is largely entrusted to professionals. The Malaysian state has an ownership interest in 35 of the top 100 Malaysian companies who between them account for 40% of total market capitalisation with a direct or indirect interest in over 68,000 companies (Gomez et al, 2018). This means that the state retains the ability to intervene in the running of the company if necessary through informal ties. In a similar vein, the primary sovereign wealth fund in Singapore, Temasek, has at least a 15% stake in 30 listed companies. An analysis of the composition of the boards of the 30 companies shows that, while the majority of CEOs were professionals, two-thirds of the chairmen had state or political affiliations and that one-third of companies had over 30% of their board members who were in some way affiliated with Temasek. This also means that the states retain the ability to intervene in the running of the company if necessary through informal ties. BGs in such geographical and political contexts – often paired with democratic deficits, thus may assume a rather ambiguous role with regard to social responsibility and their enhancement of the public good depending on the nature of the state.

6.3 The ambiguities of CSR in the context of BGs

Fundamentally, the phenomenon of CSR in BGs and their impact on and contribution to the public good is underexplored. As the papers in the special issue show, most BGs have a rather strong engagement in CSR in philanthropy and charity. This is a classic 'bolt-on' approach to CSR, where companies share and 'give back' part of their economic success while at the same time paying less attention to the question in how far the generation of their success complies with societal expectations, such as employee's rights or environmental impacts. Such an approach to 'built-in' forms of CSR appears to be rather reluctantly embraced by BGs. As the papers on the darker features of BGs, such as blocking market access or tax avoidance in this special issue demonstrate, a stronger focus on the specific nature of CSR in BGs finally could also inform a more normative research agenda.

A similar ambiguity surrounds the general role of BGs particular in emerging economies. In the same vein as Pattnaik et al.'s argument in this special issue with regard to manipulation of product markets we observe a similar role of BGs with regard to most notably capital markets in their specific jurisdictions. The internal capital market is an important characteristic of BGs through which group affiliates access finance from each other. Existing studies have shown that continued dependence on internal capital market reduces the motivation of group affiliates to disseminate corporate information to information intermediaries such as stock analysts which restricts the development of external capital market (Pattnaik et al.2013; Chang et al. 2000). It is in this context that there is a greater need to shift the academic discourse to examine the ethical implications of firm behavior, instead of only efficiency-enhancing role of firms in society.

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Table 1. Summary of Publications related to the CSR of business groups (in Chronological Order)

Author(s), year	National focus	Sample Period	Keyword	Manuscript type	Key findings related to CSR in business groups
O'Shaughnessy , Gedajlovic, Reinmoeller, 2007	Japan	1997-2000	Keiretsu	Empirical	Network affiliation in keiretsu system does not share common corporate social performance (CSP) due to low strategically shared assets. The environment that an industry operates in has a larger impact on its CSP.
Talisayon, 2010	Philippines	1970s to 2000s	Business group Conglomerate	Conceptual	There are large conglomerates in Philippines that see CSR activties as investment. The diverse culture and the reluctance of centain ethnicities may be a hinderance to more CSR activities being implemented.
Kantabutra, Avery, 2011	Thailand	2000s	Business group Conglomerate	Conceptual	Siam Cement Group was found to comply with majority of the Rhineland criteria and practices. Sustainable leadership principles are prevalent in this large enterprise in Thailand.
Oba, 2011	Nigeria	2001-2006	Conglomerate	Empirical	There is a positive relationship between company size and CSR activities. The paper argues that CSR is a western philosophy that is not suitable for developing countries.
Oh, Chang, Martynov, 2011	South Korea	2002 - 2004	Business group	Empirical	Ownership by top managers has negative relaionship with CSR ratings due to complex structure of chaebols. Large chaebols are powerful enough to resist any CSR reforms introduced by the government.
Pegg, 2012	China	1990s to 2000s	Business group	Conceptual	CSR activities adopted by the Chinese are different from the Western countries. Large oil companies in China see CSR in the oil industry in Africa as the responsibility of the African government.
Choi, Lee, Park, 2013	South Korea	2002-2008	Business group	Empirical	The relationship between CSR ratings and level of earnings management is weaker for chaebol firms and firms with highly concentrated ownership. CSR practices can thus be abusively used by business group affiliated firms to conceal their poor earnings quality.
Guereña, 2013	Paraguay	2013	Grupos economicos	Empirical	DAP group in Paraguay has taken an active role in CSR. However, the use of genetically modified soy seeds and agrochemicals have caused more harm than benefits to the environment and society.
Dávila, Dávila, 2014	Colombia	1911-1985	Business group	Historical	Fundación Social (FS) group has complex CSR strategies that balance their aid towards social and economic issues with financial management activities in Colombia.
Hoque, Uddin, Ibrahim, Mamun, 2014	Sweden	2000s	Business group Conglomerate	Conceptual	The CSR stretegy of Volvo Group is based on its Code of Conduct, which Volvo strictly adheres. Volvo Group's CSR strategy has helped the enterprise to gain trust among stakeholders.

Shah, 2014	India	2012 - 2013	Business group Conglomerate	Empirical	Tata group has CSR policy which they strictly follow. Tata group was able to link business practices with social well being in an effective way.
Montecchia, Di Carlo , 2015	Italy	2010s	Business group	Empirical	Affiliates tend to adopt similar corporate social disclosure (CSD) as their parent if their products are related. Business groups with unrelated products tend to follow the CSD of businesses in a similar industry. Exoisomorphism pressure is deemed as the main reason for different levels of CSD.
Cho, Chun, Choi, 2015	South Korea	2005 - 2010	Conglomerate	Empirical	Chaebols tend to adopt CSR more efficiently than non-chaebols. Chaebols has the tendency to fit CSR activities adopted domestically into their international diversification strategies. However, domestic CSR activities will reduce if international diversification increases.
Agarwal, 2016	India	2010s	Business group Conglomerate	Historical/ Empirical	Aditya Birla Group started its CSR activities by giving social and economical aid to the people in India. The group later also took initiatives by being more environmental friendly in their operation processes.
Marano, Tashman, Kostova, 2016	Emerging markets	2004 - 2011	Business group	Empirical	CSR reporting by emerging market multinationals is an effective way to overcome the negative perceptions in host countries about firms' ability to conduct legitimate business activities. Business group affiliation does not influence CSR reporting intensity.
Min, 2017	South Korea	2001 - 2014	Business group	Empirical	Chaebols see social evaluation to be as importance as innovation after nation wide economic crisis in 1997. The research shows how the effects of business groups on institutional logics are mediated through the focus on CSR and materialistic innovation.
Sheikh, 2017	India	1920s to 2010s	Business group Conglomerate	Historical/ Review	This paper examines the scope of CSR activities that Bajaj Group is involved in.The Bajaj Group has developed over 40 public charitable trusts engaged in CSR activities.

Table 2: Comparison of neo-classical theories of the firm with more a more contemporary approach to the theory of the firm in a business group context (adapted from Donaldson/Walsh 2015: 197)

	Neo-classical theories of the firm	**A theory of business (Donaldson/Walsh)**	**The perspective of business groups**
Purpose	Maximize firm value	Optimize collective value	• Optimize collective value and • Maximize own legitimacy
Accountability	To the law and the firm’s owners	To all participants in a particular business	To • Society at large, • Controlling shareholders
Control	Guard against self-seeking with guile	Prohibit assaults on participants’ dignity	• Guard against self-seeking of the controller • Protect identity
Success	Shareholder wealth creation	Optimized collective value	• Optimised collective value • Maximized reputational resources

Figure 1: Three dimensions and contingent factors in analysing business groups