Article

Family Control, Political Connection, and Corporate Green Governance

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Abstract: This paper firstly introduces green governance into the empirical research of family firms. Due to the fact that family firms have their own particularity in the principal agent and also have a strong desire to preserve social emotional wealth, this paper deeply studies the driving influence of family control on the green governance of family firms, and analyzes the moderating effect based on the political connection of executives. Taking the 2015–2017 Chinese family-listed firms that released social responsibility reports as the research sample, we find that family control contributes to the improvement of corporate green governance in family firms. However, the political connection of the actual controller weakens the effect of family control on the green governance of family firms. In addition, this research is also carried out under different situations, such as at the regional level and individual level. The research helps family firms give full play to their own advantages, guide the green governance practice of family firms, and improve the level of green governance.

Keywords: family control; green governance; political connection; family firms

1. Introduction

Since the 21st century, human society entered the fourth industrial revolution. One of the major characteristics of the industrial revolution is the change of the development modes, that is, from the “black development” of the previous three industrial revolutions to the “green development” model of prudent consideration of ecological boundaries. How should one respond to the fourth industrial revolution? Firms need to carry out open innovation management in response to a new round of technological revolution, realizing dynamic new combinations between technology, market, and society through open innovation. Green governance has become a topic discussed internationally since green development [1,2]. The “green” has gradually evolved from the original pure color concept into a development concept to the whole process of “green plus”, such as green economy, green development, green production, green finance, etc. [3]. China’s 13th five-year plan clarifies the concept of green development, pointing out that we should adhere to innovative development, coordinated development, green development, open development, and shared development, and establishes the new development concept of innovation, coordination, green, open, and sharing. The Code of Corporate Governance for Listed Companies in China announced by the Securities Regulatory Commission on September 30, 2018, stated that, “the listed firms shall actively practice the concept of green development, blend the ecological and environmental protection requirements in the development strategy and governance process, actively participate in ecological civilization construction and play the leading role in the pollution prevention, resource conservation and ecological protection.” Firms existing under the extensive development mode are under double pressure from national policies, resources, and the
environment, and the development goals of the listed firms gradually evolved from economic benefit maximization into social benefit maximization. Additionally, facing the calls and stresses from many stakeholders in society, transformation of the developing mode, and the implementation of green governance have become an urgent demand for firms, especially for listed firms in China.

However, small and medium enterprises (SMEs) are recognized as an engine of sustainable economic development in both the developed and developing world [4]. In China, family-listed firms, as an important part of SMEs, play a very important role in the process of social economy development and have also increasingly shown a powerful force over the 40 years of China’s Reform and Opening-up, shouldering the important responsibility and obligation of the whole society. The development of private firms is based on the coordination of the economic development and ecological development, and has to meet peoples’ basic ecological needs and promote coordinated development of human and nature [5]; therefore, it is essential to consider the problem of green governance of family firms. The essence of green governance is inclusiveness, which coincides with the idea of open innovation. The development of China’s family firms is experienced through such processes, from the beginning of self-sufficiency in the mom-and-pop stores developing into the unlisted private family enterprise, and further developing into more open and comprehensive family-listed firms in capital markets. Family firms need to further broaden their inclusiveness, pay attention to stakeholders, and embrace green innovation with a more open attitude. This paper explores the family enterprises, mainly referring to family-listed firms, which both have the characteristics of public firms and family firms.

For family business sustainability, there are different degrees of overlap of family and business [6]. The particularity of the family-listed firm is that it has a special configuration of management rights and ownership structure, and the behavior logic and decision-making mechanism of family-listed firms are also different [7]. The owners of family firms hold the company’s shareholdings for a long time, which is often continuously passed on to the descendants of the family; family members often control the management of the firms, forming a special form of enterprise [8].

On the environmental issues in the study of the family firms, family participation plays a crucial role [9], although inclusivity of family firms itself is not high, and when it faces the higher inclusive green governance decisions, the internal collective identity orientation of family firms is more intense, because of the characteristic that the family firms have handed down from generation to generation with continuous management guidance [10]. Furthermore, family firms mainly form an economic organization with the consanguinity, affinity, geopolitical relationship, and many informal relationships for coupling, and family executives have high loyalty and natural trust relationships with each other [11]. Family firms will pay more attention to the interests of stakeholders and show higher social responsibility. Therefore, it is necessary to explore the green governance of Chinese family-listed firms.

However, little research has analyzed the driving factors of green governance of the family firms. This paper takes family firms as the main research object, introduces the concept of green governance, combines the theoretical basis of system background and social and emotional wealth, analyzes the green governance of the family firms from the perspective of family control, and discusses the influence effect from the political connection.

We make three important contributions on the topic. First, this paper introduces green governance into the empirical research of family firms and transforms the research perspective from the traditional capital-constrained corporate governance perspective to the green governance perspective with a certain loadable natural environment as the constraint. Second, this paper objectively and comprehensively measures the green governance level of family firms, which is based on the manual text mining of social responsibility reports. This paper also draws lessons from the relevant measures from domestic and international social responsibility and environment performance, breaking through the limitations of previous questionnaire surveys. Third, it reveals the internal drive of family involvement in family business to green governance, and clarifies the possible adjustment of the political connection. At the same time, combined with a variety of situational factors to discuss, this paper makes up for the lack of
existing literature, enriches the research of family business, provides theoretical and empirical support for family business to give full play to its advantages, and improve the level of green governance.

The paper is structured as follows. Section 2 presents the institutional background of green governance and the literature review about family firms on environmental issues. Section 3 puts forward the theoretical analysis and hypotheses. Section 4 explains the data, research method and presents the research findings. Section 5 presents the conclusions and inspirations for research and practice.

2. Institutional Background and Literature Review

Since China's Reform and Opening-up, some progress has been made in the institution construction related to green environmental protection. Many documents on various levels have been issued, including laws and regulations, guiding documents, planning outlines, conference spirits and so on. In terms of laws and regulations, “protection of the environment is the basic national policy”, our country fully affirmed the importance of protecting the environment and green governance from the height of the law. At the same time, varieties of control methods have been used to promote energy conservation and emissions reduction of enterprises in recent years, such as the economic means of environmental tax, as the law stipulates: “Collecting environmental protection tax in accordance with the law and no longer collecting fees for discharging pollutants”. In terms of guiding documents, the promulgation of measures for the disclosure of environmental information (trial implementation) and several opinions of the state council on accelerating the development of circular economy have accelerated the process of environmental protection and green development. As for planning and outline, “the 9th five-year” plan was first put forward to carry out the strategy of sustainable development; “the 10th five-year” plan cleared about the sustainable development strategy again; “the 11th five-year” plan highlighted the goal of energy saving and environmental protection; “the 12th five-year” plan turned to green development for the first time; “the 13th five-year” plan established a new development concept of innovation, coordination, green, open, and shared. It can be seen that different development stages have endowed different policy evolutions of environmental protection, and green development and green governance are playing an increasingly important role in the development of national economy. In the spirit of the meeting, the 19th National Congress of the Communist Party of China (CPC) proposed to uphold harmony between human and nature, boost green development, promote comprehensive conservation and recycling of resources, set up and practice the concept that clear water and green mountains are the most valuable treasures, uphold the basic state policy of conserving resources and protecting the environment, and treat the ecological environment as we treat our lives.

Under the background of green development, green governance is urgently needed to lead social development, and the nature of green governance and open innovation is the same, as both advocate multi-party collaboration and participation of stakeholders. The basic concept of green governance, which takes the construction of ecological civilization as guidance, and aims at realizing green development, is firstly systematically expressed. It is essentially a “public transactional activity” with the participation of governance subject, implementation of governance measures, and coordination of governance mechanism [12]. As the major consumer of natural resources and the major undertaker of ecological pollution, firms are on micro basis of realizing green GDP. The concept of corporate sustainability is also put forward to achieve stakeholder values, which implies the integration of conservation of nature and more efficient use of resources [13].

Family controlled firms have a long-term tendency and are more likely to form a unique sustainable development capability, which makes them stand out in the competition [14]. In the research of family firms, scholars mostly discuss from the perspective of principal-agent. However, because of the particularity of family firms, family members not only have the control and ownership of the enterprise, but also usually hold management positions, gathering the right of control, ownership and management. Family firms have been classified to four categories: family ownership, family leadership,
the broader involvement of family members, and family inheritance [15]. Additionally, the two main problems of the family firms are discussed based on the principal-agent dimensions, including the interest oversight and expropriation between large and small shareholders, and the entrenchment effect and interest alignment effect between professional managers and family shareholders [16]. With the deepening of the research, it also begins to focus on the social responsibility and environmental strategy of family firms. It is generally believed in the literature that the environmental performance and social responsibility performance are relatively better in family firms, and family involvement can effectively improve the environmental commitment and environmental protection input of family firms.

To be specific, some scholars believed that the green values of family members can be transformed into the green culture of family firms, thus promoting enterprises to fulfill their social responsibilities [17]. Some found that family firms pay more attention to external evaluation and reputation, and actively reduce pollution emissions compared with non-family firms [18]. Scholars used the theory of social emotional wealth to study the relationship between family business governance allocation and environmental performance [19]. In order to protect the emotional wealth of society, family firms will not choose to participate in irresponsible behaviors which may endanger the future family well-being in order to minimize the negative impact of family firms. On the contrary, they prefer to actively participate in the practice of corporate social responsibility [20]. The involvement of management power will increase corporate identity, thus demonstrate a higher commitment to environmental social practice in family firms [21]. Family firms are more willing to undertake corporate social responsibility, aiming to preserve their emotional wealth of society, especially when the family is highly involved in corporate governance [22]. Executives are more concerned about the long-term reputation of firms, hoping that family firms can operate in a harmonious and healthy environment. Family environmental value plays an important role in regulating the environmental governance of family firms [23].

In the research of Chinese scholars, scholars studied the social responsibility performance of private firms from the perspective of demand satisfaction, and pointed out that the social responsibility behavior of private firms is carried out mainly for the survival and development of enterprises, and to enhance the personal value of entrepreneurs and meet the social identity [24]. The social responsibility behavior of firms in China shows an obvious rent-seeking tendency, especially for private firms—which is different from the natural property rights advantages of state-owned firms—and have strong political rent-seeking tendency [25]. A higher proportion of family control contributes to a higher level of corporate social responsibility [26], and the awareness of institutional and environmental pressure of shareholders and management will have certain influence on the green management behavior of firms [27]. Family firms have more far-reaching investment vision, and they have enough ability to influence the business decision-making to ensure that firms always adhere to the value orientation of long-term operation [28]. Family involvement is negatively correlated with corporate environmental governance performance attitudes, but it significantly promotes specific voluntary social responsibility behavior [29].

3. Theoretical Analysis and Hypothesis Presentation

3.1. Family Control and Corporate Green Governance

In the economy system of open innovation, family firms can increase the power of open innovation to a certain extent through green governance, overcome the growth limit of capitalism, and establish a good corporate citizen image. For the corporate green governance, from the establishment of governance structure to the establishment of governance mechanism and the implementation of corporate green responsibility, the cycle span is relatively long [30]. To a greater extent, it is for the sustainable operation of enterprises, living in harmony with nature, and benefiting mankind [31]. Therefore, corporate green governance faces the trade-off between cost and benefit. From the perspective of cost-benefit, the cost of green governance of family-listed firms is relatively high, and the economic return is highly uncertain [32]. At this time, the external management of firms is based on the
principal-agent relationship, thus has no motivation to take proactive green governance beyond compliance out of shortsightedness in order to maximize their short-term interests. They are not motivated to take proactive green governance beyond compliance, and at the same time, have the luck to hope to reduce green investment and green costs. The total cost of the firms is reduced, and the short-term profit of the firms is increased, with a higher incentive salary obtained for themselves. In the family-listed firms, the existence of family control seriously weakens the moral hazard problem of the agent (i.e., the enterprise executive). The moral hazard of family executives is relatively lower, and the first-tier agency problem (between shareholders and executives) has been effectively avoided in family-listed firms [33]. In the face of green governance decisions, family executives will not reduce the green investment like external managers based on the agency. The stronger the control of family-listed firms is, the greater the ability of family major shareholders and family managers is to be more motivated to green governance.

The goal of the family firms is to grow a long-term foundation. For the sake of future generations, the family-listed firms have a more long-term vision when making decisions. Family members regard enterprises as an extension of the family, and the family-listed firms pay more attention to reputation and responsibility. Some scholars analyze the driving influence of social emotional wealth factors on enterprise sustainability [34]. From the perspective of social emotional wealth [35], maximizing economic benefits is not the priority of family decision-making for family-listed firms. On the contrary, in order to preserve social emotional wealth, family firms will increase investment in green governance, carry out open innovation at the level of technology, reduce the possibility of environmental pollution and destruction, and improve the level of green governance. Being punished not only means a huge loss in the economic interests of family-listed firms, but also affects the reputation of family firms and family executives. Therefore, family-listed firms are willing to invest resources in the field of corporate social responsibility to establish and maintain a good organizational image and good reputation. They seldom risk reducing social emotional wealth to obtain short-term excess economic benefits through violations. At the same time, family business heritage is not only the inheritance of wealth, but also the inheritance of values, such as green values. In order to better realize sustainable development, family firms are more willing to adopt the strategy of open innovation, undertake social responsibility, and provide power to green governance.

Therefore, the higher the family control is, the more capable the family is to control the whole enterprise, and the more decisive and important impact it will have on business decision-making. At the same time, family members’ recognition of enterprises will increase with the increase of control willingness, and the relationship between family members and firms will become more intimate, making families and firms highly overlapping [36]. In order to protect the social emotional wealth, family members cherish reputation more. Therefore, in order to ensure the long-term success of the firms, family-listed firms with strong control will make the firms reduce the negative impact as much as possible, so that they are less likely to choose to participate in irresponsible behavior that may endanger the future of family well-being. On the contrary, they prefer to actively participate in corporate social responsibility practices [20], practicing green values and performing better in green governance. In summary, we hypothesize:

**Hypothesis 1 (H1).** Family control can help improve the level of green governance of the family-listed firms.

### 3.2. Family Control, Political Connection and Corporate Green Governance

The unique governance mode and control structure of family business leads to the political connection that is different from others [37]. Political connections can be found to play an important role in improving the performance of family enterprises when studying the family ownership and the performance of Indonesian enterprises [38]. Political connection is a double-edged sword. In the economy system of open innovation, the government is an important external stakeholder in green
governance of firms, which holds the allocation right of various important resources such as capital and land, having great administrative power. For the green governance of family-listed firms, it firstly needs to meet the requirements of stakeholders’ compliance, and also needs a larger amount of environmental protection investment to improve green governance. From the perspective of resource effect [39], family-listed firms need to rely on government resources, obtain government subsidies and tax preferences, and strive for green resources. At the same time, in order to further maintain the relationship between firms and government, family-listed firms need to accumulate social capital by assuming environmental protection responsibility as a kind of “political contribution”. Therefore, firms will accept the guidance of the government, help the government to complete environmental protection tasks, carry out green governance, encourage open innovation, provide dynamic for green governance, and fulfill environmental protection responsibility, which is manifested in the fact that political connection plays an enhanced role in the process of family control to improve the level of green governance.

On the other hand, from the perspective of stakeholders, firms with political connections have a better communication with the government because of better government-enterprise relations, and it is easier to obtain special assets for stakeholders, such as environmental protection certification and other green honor awards. So, family executives are more likely to maintain the green legitimacy of the firms through political connections, and, to a certain extent, relax the self-governance of the enterprise of green governance. At the same time, the government will be more relaxed in monitoring the environmental problems of politically-related firms, thus, firms can get the protection of the government, facing a more relaxed environmental control. Firms with political connections with local government have a lower proportion of social responsibility reports and relatively poorer disclosure quality [40]. Therefore, the political connections of family firms have a certain offset effect on corporate green governance; additionally, because the political connections of the actual controllers of the family firms are mostly represented by the local government’s NPC deputies or CPPCC members. Moreover, for the local government, there are tournament incentives for political promotion, thus, local officials are more concerned about economic development and neglect environmental protection. In order to increase taxation and ensure employment, local governments will continue to choose economic growth as the core of government work, and this tendency will be strengthened by the tenure system of local officials [41]. Local governments are likely to have “conspiracy” behavior for short-term economic growth and politically-related firms [42], and firms will invest more resources to create GDP, helping the government’s economic development to achieve normative expectations, rather than invest in green governance [43].

Generally speaking, the dependence of firms on political resources erodes the value of green governance and inhibits the motive force of green governance. Firms with political connections need to cater and meet the needs of the government, which tends to cause rent-seeking problems; that is, firms actively make unproductive behaviors to the government to obtain excess profit for access to resources and to seek development [44]. For family firms without political connections, they are more willing to implement green governance practices in a down-to-earth manner. Under the driving of family control and family inheritance, they enhance the trust relationship with various stakeholders, improve their competitive advantages, create higher market value and win wide recognition in the market. In conclusion, we hypothesize:

Hypothesis 2 (H2). Political connection of actual controllers can weaken the positive promotion of family control on corporate green governance.

On the basis of the theoretical analysis above, combined with the institutional background, the conceptual framework of the study is formed, as shown in Figure 1 below.
4. Research Design and Empirical Results

4.1. Data and Measures

The paper takes the Chinese 2015–2017 family-listed firms which released social responsibility reports on the website of cninfo (www.cninfo.com.cn) till April 30, 2018 as the research sample, and excludes the current listing and other incomplete samples. For the family-listed firms, the actual controller is a natural person or a family. Additionally, the proportion of family holdings (ownership) is more than 10%, and it is necessary to satisfy that the actual controller of the family or its family members are senior executives in the listed company. The paper ends with a total of 384 valid samples.

The explained variable of this paper is green governance, which adopts the evaluation system of green governance of listed firms launched by the Institute of China Academy of Corporate Governance of Nankai University [45]. It manually excavates the corporate social responsibility report for text analysis and scores each sub-item according to the scoring rules, then determines it according to the weights determined by the experts, thus calculates the three-level indicators and the two-level indicators, forming the total index of green governance. At the same time, on the basis of the score, the award and punishment events of listed firms regarding green governance in the last three years are adjusted by other means, such as company website, network search and so on. Green governance mainly includes four dimensions: green governance structure, green governance mechanism, green governance effectiveness and green governance responsibility. The green governance index is presented by the form of value. The higher the value is, the higher the level of green governance is.

The main explanatory variable is family control, which is measured by the proportion of the actual controller’s control of the listed firms. In terms of adjusting variables, the political correlation variable is selected, measured by whether the actual controllers are members of the CPPCC or National People’s Congress. In terms of controlling variables, this paper selects the corporate finance and corporate governance variables that may affect the green governance of family-listed firms, such as listing age, net profit, asset-liability ratio, growth, comprehensive leverage, board size and the proportion of independent directors, etc. All the variable definitions and calculation method is presented in the Table 1 below. In addition, green governance of family firms may be constrained by regional institutional environment, so this paper also introduces the legal environment in the control variables, measured by the development and legal system of market intermediary organizations in the report of 2014 China’s sub-regional marketization index [46]. The data of corporate finance and corporate governance of controlling variables is mostly from the sub-database of private listed firms in the CSMAR database, and some of the data comes from the WIND database. The year’s virtual variable and industry virtual variable are also introduced in the research database. The types, names, symbols and definitions of the variables are shown in Table 1 below.
Table 1. Variable definitions.

| Variable Type       | Variable Name          | Variable Symbol | Variable Definition                                                                                                                                 |
|---------------------|------------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Explained Variable  | Green Governance       | Green           | Measured by Green Governance Index, mainly including green governance structure, green governance mechanism, green governance effectiveness and green governance responsibility. The higher, the greener. |
| Explanatory Variable| Family Control         | Family control  | Family control takes the proportion of actual controllers holding the control rights of listed firms as an alternative variable. The higher, the greater of family control. |
| Adjusting Variables | Political Connection   | Political       | Dummy variable, whether the actual controller is served as NPC deputies or CPPCC members.                                                                |
| Grouping Variable   | Regional Green         | Pro             | The “Green Development” Index of the Annual Evaluation Results of Ecological Civilization Construction in 2016. The higher, the greener of the regional development. |
|                     | Development Level      | Pro             | Referring to the method of dividing life cycle based on cash flow portfolio, divided into growth period, maturity period and recession period [47]. |
|                     | Enterprise Life Cycle  | Life            | Referring to the method of dividing life cycle based on cash flow portfolio, divided into growth period, maturity period and recession period [47]. |
| Controlling Variables| Net Profit             | Profit          | Logarithm of net profit increase. If net profit is lower than last year, the logarithmic opposite of the absolute value of net profit is taken. |
|                     | Asset-Debt Ratio       | Debt            | Debt/total assets.                                                                                                                                       |
|                     | Board Size             | Board           | Number of board of directors.                                                                                                                        |
|                     | Growth                 | Grow            | Growth Rate of Operating Revenue.                                                                                                                     |
|                     | Proportion of          | Indep           | Number of independent directors/number of board of directors.                                                                                        |
|                     | Independent Directors  |                 |                                                                                                                                                    |
|                     | Age of Listing         | Age             | Sample Year minus Listing Year.                                                                                                                       |
|                     | Combining Leverage     | Lev             | (Net Profit + Income Tax Expenses + Financial Expenses + Depreciation + Amortization)/(Net Profit + Income Tax Expenses).                             |
|                     | Legal Environment      | Law             | Referring to the Marketization Index of “Development of Market Intermediary Organizations and Legal Institutional Environment” in 2014 [46].         |
|                     | Year                   | YEAR            | Year Virtual Variables.                                                                                                                                |
|                     | Industry               | IND             | Industry Virtual Variables.                                                                                                                          |

The descriptive statistics of the main variables of the sample is shown in Table 2 below. The average value of the green governance index of the sample firms is 54.55, and the standard deviation is 4.387. From the perspective of family control variables, the proportion of control rights of actual controller of the whole sample-listed firms reaches 37.79%. As for the adjustment variables, the proportion of actual controller political connections of family-listed firms is 49%. In terms of control variables, the logarithm of net profit is 5.82 and the asset-debt ratio is 44%. The average board size of sample companies is 8.28, the average growth rate of operating revenue of the sample of listed family companies is about 8%, and the proportion of independent directors is 38%. The sample companies are all listed for more than 10 years, and the leverage coefficient of the whole sample is 1.98. The average environmental index of the legal environment of the province where the sample-listed companies are located is 10.32. The results of descriptive statistics such as mean, standard deviation and extreme value of variables are detailed in Table 2 below.
### Table 2. The descriptive statistics of variables.

| Variables | Samples | Mean   | Standard Deviation | Minimum | Maximum |
|-----------|---------|--------|--------------------|---------|---------|
| Green     | 384     | 54.55  | 4.39               | 42.64   | 67.78   |
| Family control | 384 | 37.79  | 15.06              | 10.43   | 89.41   |
| Political | 384     | 0.49   | 0.50               | 0       | 1       |
| Profit    | 384     | 5.82   | 17.56              | -23.61  | 21.99   |
| Debt      | 384     | 0.44   | 0.20               | 0.03    | 1.04    |
| Board     | 384     | 8.28   | 1.75               | 4       | 18      |
| Grow      | 384     | 0.08   | 0.30               | -1.04   | 5.67    |
| Indep     | 384     | 0.38   | 0.05               | 0.33    | 0.60    |
| Age       | 384     | 10.61  | 6.19               | 1       | 25      |
| Lev       | 384     | 1.98   | 4.61               | -43.5   | 48.22   |
| Law       | 384     | 10.32  | 4.42               | 1.33    | 16.19   |

#### 4.2. Results

In order to verify Hypothesis 1, this paper uses multiple regression method to study the relationship between family control and corporate green governance. After controlling the influence of years and industries, the explained variable is corporate green governance, and the explanatory variable is family control. The regression results are shown in Table 3 below. The coefficient of family control in column (1) is significantly positive. In the family-listed firms, the stronger the family control is, the higher the green governance level of the family-listed firms is. There is a significant positive correlation between family control and green governance of firms. In order to further verify the influence of the political connection of the actual controller, from the same control variable, column (2) firstly adds the virtual variable of political connection on the basis of column (1), column (3) adds the multiplier family control and political connection on the basis of column (2). From column (2), the coefficient of family control is significantly positive, indicating that family control still has a significant role in promoting the level of green governance of firms under the control of the actual political connection of the controllers. From column (3), not only is the coefficient of family control significantly positive, but also the coefficient of political connection is significantly positive. The coefficient of family control × political is significantly negative. From the comprehensive view of the three factors, we can see that family control and political connection of actual controllers can both effectively enhance green governance of firms. However, when the two variables coexist, they have a certain offset effect, that is, the political connection of the actual controllers weakens the positive promotion of family control on green governance of firms to a certain extent. It also shows that the promotion of family control on green governance of listed firms is more significant under the weak political connection of the actual controllers, which verifies Hypothesis 2. Additionally, in terms of control variables, although there is no significant correlation between net profit, asset-debt ratio, age of listing, legal environment and green governance level of family-listed companies, from column (1)–(3), corporate governance factors such as the coefficient of board size and the proportion of independent directors are significantly positive, indicating that the higher the board size of family- listed companies and the ratio of independent directors is, the higher the level of green governance is. In addition, the coefficient of growth is significantly negative, indicating that enterprises with higher growth rate of operating income have a weaker level of green governance, which may be related to the business objectives of enterprises. Moreover, the coefficient of combining leverage is also significantly negative, indicating that the greater the leverage of enterprises is, the higher the business risk and financial risk is, and the worse the green governance is. The regression results of specific variables are shown in Table 3 below, and the values in the parentheses represent the standard errors in Stata regression, the same below.
Table 3. Family control, political connection and corporate green governance.

|                  | (1)     | (2)     | (3)     |
|------------------|---------|---------|---------|
| **Green**        |         |         |         |
| Family control   | 0.0224  | 0.0366  | 0.0439  |
|                  | (3.0463)| (3.1343)| (3.8612)|
| Political        | 0.7306  | 1.6706  |         |
|                  | (2.4992)| (4.6334)|         |
| Family control × Political | −0.0384 ** |         | −5.3268 |
| Profit           | 0.0156  | −0.5451 | 0.0157  |
|                  | (1.1278)| (2.2528)| (1.1914)|
| Debt             | 0.6094  | 0.0463 * | 0.6200  |
|                  | (1.4698)| (2.9496)| (1.5390)|
| Board            | 0.4538 *** | 2.7066 | 0.4513 *** |
|                  | (10.4462)| (10.755)| (11.4276)|
| Grow             | −0.7198 ** | 0.4354 | −0.6398 ** |
|                  | (−5.1528)| (0.8985)| (−4.8204)|
| Indep            | 14.3377 * | −4.7535 | 13.6180 * |
|                  | (4.2224)| (1.9014)| (3.8799)|
| Age              | −0.0222 | 22.3843 | −0.0228 |
|                  | (−1.7682)| (1.3973)| (−2.1476)|
| Lev              | −0.1031 * | −0.1389 | −0.1033 * |
|                  | (−3.0810)| (−1.2777)| (−2.9500)|
| Law              | −0.0685 | −0.0124 | −0.0656 |
|                  | (−2.6697)| (−0.1316)| (−2.7177)|
| Year             | Controlled | Controlled | Controlled |
| Industry         | Controlled | Controlled | Controlled |

| r2,a             | 0.1482  | 0.1464  | 0.1477  |
| N                | 384     | 384     | 384     |

Note: *, ** and *** represent significant differences at the levels of 10%, 5% and 1%, respectively.

4.3. Further Analysis: Family Inheritance

For family business, the main family involvement in business is ownership, governance, management and succession [48], so the important characteristics and internal driving forces are not only family control, but also the willingness of some actual family controllers to pass on family business to their next generation of family members, namely family inheritance. For family inheritance, it is not only the inheritance of equity and management, but also the inheritance of values. The value of family members will affect the decision-making of enterprise resource allocation [49]. With green values conforming to the global green development trend, corporate green governance can benefit the entire family business and all family members from a long-term perspective. Therefore, family firms with inheritance willingness will have stronger long-term management intentions, and they will also have more motivation to fundamentally solve the environmental problems and fulfill the responsibility of green governance.

In order to further verify the hypothesis above, this paper continues to study the relationship between family inheritance and corporate green governance by using multiple regression method. After controlling the influence of years and industries, the explained variable is corporate green governance, and the explanatory variable is family inheritance, which is the dummy variable measured by whether the family-listed company has second-generation family members involved—if it is true, then the value is 1; otherwise it is 0. From Table 4, we can see that the coefficient of family inherit is significantly positive in column (4), which indicates that family inheritance has a significant positive correlation with corporate green governance in family-listed firms, indicating that family inheritance can effectively improve the level of corporate green governance. In order to further verify the influence
of the political connection of the actual controller, in the case of the same control variable, column (5) first adds the virtual variable of political connection on the basis of column (4), and column (6) adds the multiplier variable of family inherit × political on the basis of column (5). However, from column (6), the coefficient of family inherit, political and family inherit × political are not significant, which indicates that the moderating effect of political connection does not exist between family inheritance and green governance. From the perspective of family inheritance, it is impossible to confirm Hypothesis 2. Political connection that can weaken the positive promotion effect of family firms on corporate green governance is only reflected in family control, but not stable in family inheritance. This result may be related to the effects of the political connections of the paternal generation being weakened, as the descendants are involved in the company’s equity or management rights for the family-listed firms where inheritance occurs. Therefore, family firms will pay more attention to the strategic choice of green governance.

Table 4. Family inherit, political connection and corporate green governance.

|                | (4)       | (5)       | (6)       |
|----------------|-----------|-----------|-----------|
|                | Green     | Green     | Green     |
| Family inherit | 0.5178 ***| 0.5577 ***| 0.3456    |
|                | (13.0504) | (14.9319) | (1.6350)  |
| Political      | 0.3624 *  | 0.2556    |           |
|                | (3.2068)  | (2.7904)  |           |
| Family inherit × Political | 0.4972    |           |           |
|                | (1.1011)  |           |           |
| Profit         | 0.0176    | 0.0177    | 0.0174    |
|                | (1.3740)  | (1.4763)  | (1.4653)  |
| Debt           | 0.8595    | 0.7787    | 0.7014    |
|                | (2.6396)  | (2.2414)  | (1.8938)  |
| Board          | 0.4813 ** | 0.4680 ** | 0.4701 ***|
|                | (9.6815)  | (9.6900)  | (10.0920) |
| Grow           | −0.7567 **| −0.7039 **| −0.7284 **|
|                | (−6.6720) | (−7.1601) | (−6.9644) |
| Indep          | 15.8996 **| 15.2560 * | 15.4727 **|
|                | (4.3755)  | (4.0791)  | (4.4361)  |
| Age            | −0.0342 * | −0.0385 * | −0.0379 * |
|                | (−3.1519) | (−3.7870) | (−3.5570) |
| Lev            | −0.1037 * | −0.1023 * | −0.1020 * |
|                | (−3.3743) | (−3.1490) | (−3.1959) |
| Law            | −0.0745 * | −0.0739 * | −0.0705 * |
|                | (−2.9713) | (−2.9346) | (−3.1882) |
| Year           | Controlled| Controlled| Controlled|
| Industry       | Controlled| Controlled| Controlled|
| r²,a           | 0.1450    | 0.1441    | 0.1422    |
| N              | 384       | 384       | 384       |

Note: *, ** and *** represent significant differences at the levels of 10%, 5% and 1%, respectively.

4.4. Robustness Test

External macro environment has a profound impact on enterprises. Firms generally make rational choices under certain environmental conditions, and their behavior decisions are generally situationally dependent. Hu studied the impact of the informal system of senior executives’ home identity on corporate environmental governance, and they also incorporated the regional status of executives’ hometowns into the scope of regulatory factors. The empirical results show that in the hometown of executives, the degree of economic development, the level of environmental quality, and the green
awareness of the local public all have significant positive effect on the positive relationship between executives’ hometown identity and environmental performance [50].

For the family-listed firms, the impact of family control on the level of corporate green governance may also be affected by the external macro environment, especially by the level of green development of the region where the family-listed firms are located. In order to further analyze the relationship between family control and corporate green governance under the influence of different situations, this study uses the method of grouping regression and divides the regional green development index into two categories by dichotomy. Column (7) is the group with greater regional green development index than the average, that is, the area with relatively good green development. Column (8) is the group whose regional green development index is lower than the average, that is, the area with relatively poor green development. According to column (7) and column (8), we can see that the coefficient of Family control is significantly positive, indicating that family control is positively related to corporate green governance, regardless of whether the green development is better or worse. That is to say, the stronger family control of family firms, the higher green governance level of family-listed firms. However, comparing the two columns, the coefficient of family control in column (7) is significant in the 1% confidence interval, which is significantly higher than the coefficient of family control in column (8), which shows that the higher level of regional green development, the more obvious role family control plays in promoting the level of corporate green governance. The promotion of macro green development environment is conducive to the internal dynamic mechanism of micro-family enterprise green governance. The regression results of each control variable are shown in Table 5 below, which are not repeated here.

Table 5. Family control and corporate green governance under regional green development grouping.

|                | (7)                        | (8)                        |
|----------------|----------------------------|----------------------------|
|                | Region with Better Green Development | Region with Poorer Green Development |
| Family control | 0.0343 ***                 | 0.0192 *                   |
|                | (15.3887)                  | (4.0705)                   |
| Profit         | -0.0041                    | 0.0207                     |
|                | (-0.3636)                  | (1.1745)                   |
| Debt           | -0.5473                    | 3.1939                     |
|                | (-0.3998)                  | (2.4453)                   |
| Board          | 0.3964 *                   | 0.2900                     |
|                | (3.8324)                   | (2.8008)                   |
| Grow           | -0.7825 *                  | 4.1042                     |
|                | (-3.3730)                  | (0.9550)                   |
| Indep          | 22.6791                    | 12.3733                    |
|                | (2.6916)                   | (2.6576)                   |
| Age            | -0.0209                    | -0.0665                    |
|                | (-0.7841)                  | (-2.0533)                  |
| Lev            | -0.1725 **                 | -0.0325                    |
|                | (-9.1149)                  | (-1.2033)                  |
| Law            | 0.0060                     | -0.1739 ***                |
|                | (0.1599)                   | (-22.7165)                 |
| Year           | Controlled                 | Controlled                 |
| Industry       | Controlled                 | Controlled                 |
| r2_a           | 0.2626                     | 0.1474                     |
| N              | 176                        | 208                        |

Note: *, ** and *** represent significant differences at the levels of 10%, 5% and 1%, respectively.
In addition, corporate green governance is not only affected by the regional macro environment, but also closely related to the individual development of the enterprise. The family firms have different characteristics in different life cycles. In the growing period, family firms begin to take shape and expand rapidly, which have a certain resource base. The possibility of encountering financial difficulty is relatively low, so family firms have the ability to invest in human, material and financial resources in green governance. Family firms in mature stage are relatively stable in operation, but may lack new profit growth points and face the situation of “difficult to start a business, more difficult to keep a business”. In the aspect of green governance, it is more difficult for family firms in mature stage to be willing to reinvent green governance in terms of infrastructure processes. The enthusiasm for green governance is mainly reflected in the fulfillment of green governance responsibilities. In the recession period, family firms face a series of problems related to their own survival, and it is even harder to spare their energy in making progress in green governance.

Based on the method of dividing the life cycle of firms according to different characteristics of cash flow combination [47], this paper divides the development of firms into three periods: growth period, maturity period and recession period. Among them, the firms of growth period need to meet the conditions of negative cash flow of investment activities and positive cash flow of financing activities, while the basic conditions of mature firms are positive cash flow of operation activities, negative cash flow of investment activities and negative cash flow of financing activities. The remaining situation is automatically classified as the recession period. The regression results of family control and corporate green governance in the three stages of growth, maturity and recession are shown in Table 6 below.

| Table 6. Family control and corporate green governance under life cycle grouping. |
|---------------------------------------------------------------|
| (9) (10) (11) | Growth Period | Maturity Period | Recession Period |
|---------------------------------------------------------------|
| Family control | | | |
| 0.0691 ** | −0.0315 | 0.0054 |
| (4.8029) | (−1.7613) | (0.5208) |
| Profit | 0.0237 | −0.0015 | 0.0364 |
| (1.3845) | (−0.1334) | (0.9793) |
| Debt | 0.6910 | 2.1656 | 1.6483 |
| (0.3709) | (0.5267) | (0.4159) |
| Board | 0.2217 | 0.5568 * | 0.0886 |
| (2.3142) | (3.8651) | (1.2841) |
| Grow | −0.3430 | −3.4135 | −0.3839 |
| (−3.1342) | (−0.4215) | (−0.1039) |
| Indep | 4.5425 | 29.4544 ** | −0.8474 |
| (0.5559) | (5.7198) | (−0.0337) |
| Age | 0.0643 | −0.0796 | −0.0244 |
| (1.1956) | (−0.6336) | (−0.3718) |
| Lev | 0.0367 | −0.2706 | −0.0917 |
| (1.5167) | (−2.4548) | (−1.1144) |
| Law | −0.0240 | −0.1035 | −0.0602 |
| (−1.0625) | (−1.5076) | (−0.4612) |
| Year | Controlled | Controlled | Controlled |
| Industry | Controlled | Controlled | Controlled |
| r2_a | 0.1928 | 0.2082 | −0.0280 |
| N | 209 | 117 | 58 |

Note: *, ** and *** represent significant differences at the levels of 10%, 5% and 1%, respectively.

It can be seen from Table 6 that the coefficient of family control in column (9) is significantly positive, while the coefficient of family control in column (10) and column (11) is positive or negative, and they are both not significant. By comparing the three columns, we can see that only for the enterprise of growth period, the positive correlation between family control and corporate green governance is statistically significant.
Sustainability exists, that is, the higher the family control is in growing firms, the higher the level of green governance of firms is. However, for the family-listed firms in the mature and recession period, the level of corporate green governance is not affected by family control. The empirical results of other control variables are shown in Table 6 below.

4.5. Endogenous Analysis

Considering that there may exist endogenous problems between family control and corporate green governance in family-listed firms, this paper intends to use two methods to analyze endogenous factors. Firstly, OLS Regression is carried out again by delaying the variables of family control by one year. The explained variable is still corporate green governance, and other control variables remain unchanged. The regression results are as follows: Table 7 shows that the coefficient of family control in column (12) is significantly positive, indicating that in the case of lag period, the results still steadily confirm that family control and corporate green governance are significantly positively correlated, and family control can effectively improve corporate green governance.

Table 7. Endogenous analysis: Family control and corporate green governance.

|                  | (12) | (13) | (14) |
|------------------|------|------|------|
|                  | Green | G3   | G3   |
| Family control   | 0.0259 * | (2.1215) |      |
| Family control   | 0.0252 *** | (3.7594) | −0.0278 *** | (−3.0450) |
| Political        | −4.2490 *** | (−3.4552) | 0.0953 *** | (4.1701) |
| Profit           | 0.0221 * | (2.1385) | 0.0144 | (0.9309) | 0.0142 | (0.9648) |
| Debt             | 0.1248 | (3.4636 **) | (4.3743 **) | (2.8740) | (2.6554) |
| Board            | 0.4630 *** | (3.4424) | 0.5052 ** | (2.5718) | 0.5151 ** | (2.6297) |
| Grow             | 0.3625 | (2.2122) | −1.9149 *** | (−14.1338) | −1.2183 *** | (−11.2863) |
| Indep            | 16.3543 ** | (2.3165) | 15.8777 *** | (4.4865) | 17.8262 *** | (5.4534) |
| Age              | −0.1060 ** | (−2.8598) | 0.0349 | (0.9948) | 0.0353 | (1.0790) |
| Lev              | −0.0384 | (−0.8377) | −0.0581 | (−1.4129) | −0.0662 | (−1.4410) |
| Law              | 0.0221 * | (2.1385) | 0.0144 | (0.9309) | 0.0142 | (0.9648) |
| Year             | Controlled | Controlled | Controlled |
| Industry         | Controlled | Controlled | Controlled |
| r²_a             | 0.1101 | 0.1364 | 0.1486 |
| N                | 248 | 384 | 384 |

Note: *, ** and *** represent significant differences at the levels of 10%, 5% and 1%, respectively.

Another method of endogenous analysis mainly considers that the specific indicators are relatively endogenous in the green governance index system, such as green governance structure, green governance mechanism and green governance responsibility. Therefore, the three dimensions are excluded, and only exogenous green governance efficiency index G3 is selected as the explained variable. G3 mainly measures the outcome indicators of green governance from a quantitative perspective, specifically including: green energy conservation, green emission reduction and green
recycling, which is formed by the scores given by experts of level indicators. The higher the G3 value is, the higher the efficiency of green governance is, the better the corresponding green governance is. Moreover, with family control as the main explanatory variable and other control variables being consistent with the above, this paper explores the dynamic mechanism of family control on green governance. As shown in Table 7, the coefficient of family control is significantly positive in Column (13), indicating that family control can significantly improve corporate green governance when green governance is represented only by green governance effectiveness.

Column (14) adds the variable of political connection and the associations of family control $\times$ political to columns (13). We can find that family control, political, and the multiplier family control $\times$ political all have significant coefficients. Moreover, the coefficient sign of the multiplier is opposite to that of the family control, and the sum of coefficient is positive. It shows that when green governance is characterized by green governance efficiency, the political connection of the actual controllers of family firms can still have a significant negative regulatory effect, and the political connection of the actual controllers weakens the positive promotion of family control to the green governance of firms to some extent. Hypothesis 2 remains robust.

5. Discussion

Based on the background of green development, through literature and theoretical analysis of family control and green governance, this paper proposes the research hypotheses and tests hypotheses from empirical aspects of model-setting and empirical data analysis of family-listed firms in 2015–2017. The following conclusion can be drawn: Family control can help to improve the level of corporate green governance. This result is consistent with the conclusion drawn by other scholars using samples from other countries. For Spanish family firms, family responsible ownership practices as a driver that influences corporate socially responsible practices [51], and family engagement can promote the corporate social responsibility to a certain extent [21]. Additionally, American family-controlled public-listed companies tend to adopt environment-friendly strategies more effectively and have a better environmental performance [18]. At the same time, the political connections of actual controllers have a moderating effect, which restrains the motive force of green governance and weakens the positive promotion of family control on corporate green governance. In further analysis, family inheritance is also conducive to improving the level of corporate green governance. The result is in accordance with the outcome of [48], who reported a positive correlation with family succession and social responsibility. In the robustness test, the higher the level of regional green development in macro environment is, the more obvious the role of family control plays in promoting the level of corporate green governance. That is to say, the promotion of macro green environment is conducive to the development of the internal dynamic mechanism of micro corporate green governance. At the micro level, for enterprises of different life cycles, only the enterprises of growth period satisfy the conclusion that the higher the family control is, the higher the corporate green governance is. In the endogenous analysis, we carried out the OLS Regression again by delaying the variables of family control by one year and selected the exogenous green governance efficacy indicators as the explained variable. Empirical results still steadily confirmed that family control has a significant positive correlation with corporate green governance.

The research revelation is mainly manifested in: the family enterprise has the will of passing on from generation to generation, and cherishes the reputation of the enterprise. The family firms’ participation in green governance can bring the emotional wealth of the enterprise. For the family-listed firms, there are motives and abilities to fundamentally solve the environmental problems faced by firms and to establish green governance culture, to fulfill the responsibility of green governance. Therefore, family control plays an important driving role in corporate green governance.

In the open innovation economy system, the importance of social innovation economy rises. Family firms should create an open and innovative institutional framework, focusing on encouraging innovation and integrating resources to provide power for green governance [52]. At the same time,
family firms should reasonably and prudently arrange the allocation of equity and control rights and the arrangement of inheritance, earnestly fulfill the responsibility of green governance, maintain the trust relationship among various stakeholders, effectively use political connections to obtain green resources, and increase their own green investment and green transformation instead of using political connections to evade supervision or ignore environmental protection. Family firms are supposed to participate in the process of realizing sustainability through green governance and to promote the development of social open innovation network [53]. Additionally, they should give full play to their own advantages, make use of family social emotional wealth and family characteristics to guide the practice of corporate green governance, and use charitable foundations of family firms to inherit the concept of green governance, so as to realize the sustainable inheritance of green and realize the evergreen foundation of family firms. At the same time, family firms should include a wider range of stakeholders, actively undertake social responsibility, establish an open innovation network for sustainable development, and carry out institutional innovation, technological innovation, and green innovation in a more open and inclusive manner, developing open innovation engineering on new entrance of technology to market to create micro and macro dynamics of open innovation with the Quadruple-helix model. Family firms need to establish and improve a series of green governance mechanisms, quickly respond to environmental problems, create green governance tools, fulfill green governance responsibilities, safeguard the trust relationship of various stakeholders, change passive compliance to spontaneous governance from the root cause, and guide the practice of green governance, thereby forming a unique competitive advantage of the company, and continuously creating value feedback for the enterprise to realize cyclical dynamics of open innovation and sustainable development.

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