Abstract: A firm’s corporate social responsibility (CSR) record improves its image and that of its managers. This ultimately can positively affect enterprise value. However, CSR investments do not necessarily lead to better firm performance, as long-term costs are incurred. Therefore, managers often make CSR investment choices based on personal incentives. This study analyzed the relationship between managerial ownership and CSR activities in Korean public companies based on different managerial CSR incentives and ownership levels. Using the Korean Economic Justice Institute’s CSR index, the results show that firms with higher managerial ownership had excellent CSR records. Higher managerial ownership led to alignment between managers and shareholders, with managers making CSR investments to enhance long-term enterprise value. However, in firms with lower accounting transparency, managers reduced CSR investments. Managers did not value their CSR reputations in firms with poor financial reporting quality and serious information asymmetry. Instead, they diverted CSR resources to other projects to meet their interests. As Korean firms increase their investment in CSR, CSR disclosure responsibility is strengthened. Our study results provide significant implications to academics, practitioners, investors, and other stakeholders, suggesting the importance of corporate ownership structure on investment in CSR.

Keywords: managerial ownership; stockholder interests; management entrenchment; CSR activities; accounting transparency

1. Introduction

Corporate social responsibility (CSR) activities are recognized as an important part of corporate management worldwide, and social interest in them is also increasing. In line with this trend, Korean companies are also making more efforts to meet the needs of various stakeholders and contribute to social development. Therefore, since 1991, the CSR level of Korean companies has been objectively evaluated. Specifically, the Korean Economic Justice Institute (KEJI), affiliated with the Citizens’ Coalition for Economic Justice (CCEJ), yearly evaluates the corporate social performance of companies listed on the Korean Stock Exchange and selects and announces the top 200 companies with excellent CSR activities.

Today, a firm’s CSR activities are no longer a choice but rather a requirement. However, there are conflicting views on how CSR affects firm performance or value in the literature. Waddock and Graves [1] argue that a firm’s CSR activities positively correlate with its performance, and Jang and Choi [2] find a positive correlation between a firm’s financial performance and social performance. Some also claim that CSR leads to better long-term performance [3]. In contrast, other research shows conflicting results. For example, McWilliams and Siegel [4] find that a firm’s CRS engagement and performance do not significantly correlate. Other scholars argue a negative correlation between CSR and firm performance [5].

Thus, without consensus on how CSR affects the performance or firm value, managers are pressured to make moral and ethical choices while taking responsibility for uncertain financial performance. The will, and consequently the managers’ decisions, are relevant
in firm CSR engagement [6]. The implication is that attitudes toward CSR may vary depending on the aims or dispositions of these managers.

Our research objective was to assess this in the context of Korea against the backdrop of growing CSR importance. We analyzed the correlation of managerial ownership, looking at different managerial characteristics, with firm CSR activities. According to agency theory, shareholders and managers do not have the same interests. However, if the firm has greater managerial ownership, these interests will be more aligned. Of course, greater managerial ownership does not necessarily have positive effects on the firm. As their ownership increases, managers may be incentivized to make arbitrary decisions for their private benefit. Therefore, we posit that the manager’s incentive to implement CSR activities will vary depending on the level of managerial ownership. We analyze CSR engagement and managerial ownership levels among companies listed on the Korea Composite Stock Price Index (KOSPI).

In testing our hypothesis, we needed to determine an accurate way to measure managerial ownership. The shares owned by the board of directors, which includes managers, can be divided into inside and outside director ownership, with inside director ownership regarded as managerial ownership (a different performance scheme is applied to outside directors since they serve more as monitors than decision-makers [7]). Accordingly, we define managerial ownership as executives’ ownership, excluding outside directors.

The structure of this article is organized as follows. Section 2 reviews previous studies and establishes our hypotheses. Section 3 provides our model, our methods, and samples. Section 4 reports the results of our empirical analysis in the context of the hypotheses and presents additional analysis to test the robustness of our findings. Finally, Section 5 discusses our conclusions and the implications of the study.

2. Literature Review and Hypotheses

2.1. Managerial Ownership

There are two conflicting hypotheses on managerial ownership in the literature. According to the first hypothesis, that of management entrenchment, as managers increase their ownership, they make opportunistic decisions to maintain their vested rights and interests rather than increasing shareholder value—the result is an increase in agency costs. Jensen and Ruback [8] argue that when managerial ownership increases, managers seek private benefits by carrying out inefficient investments that may damage long-term firm value. Demsetz [9] mentions that higher managerial ownership makes it harder to weed out managers who fail to maximize firm value, allowing them to conduct arbitrary business activities without checks and balances, thereby reducing firm value. Morck et al. [10] report that higher managerial ownership reduces managers’ incentives to improve their reputation in the labor market and take adequate measures to manage the risk of mergers and acquisitions. Chun and Park [11] claim that higher managerial ownership increases the cost of equity, and investors place a risk premium on firms with high managerial ownership.

In contrast, according to the second hypothesis, that of stockholder interests, higher managerial ownership reduces agency costs by aligning the interests between managers and shareholders. Jensen and Meckling [12] argue that more managerial ownership is similar to private ownership. Thus, with more managers as shareholders, their interests become the same, effectively reducing agency costs. Warfield et al. [13] also discovered that more shares owned by managers reduce agency costs, thereby reducing earnings management incentives. Ang et al. [14] study the relevance between the ownership structure and agency costs in small and mid-sized U.S. firms. They claim that agency costs decrease when managers are shareholders.

2.2. CSR Activities

Generally, CSR is accepted as ethical and desirable. Companies increasingly need to consider their responsibilities to customers, employees, investors, and society even when making technology innovation decisions [15]. Thus, firms enthusiastic about CSR receive favorable feedback from the market, which they can use to burnish their reputations. Moreover, positive reputations built through CSR can protect firm assets in a crisis [16]. Studies
also claim that CSR activities can reduce conflicts between the firm and its stakeholders, ultimately contributing to better enterprise value [17–19].

However, since costs accompany CRS engagement, it is sometimes considered detrimental to shareholder wealth in terms of shareholder value [20,21]. Wright and Ferris [5] argue that CSR could weaken firm performance. Friedman [22] argues that a firm’s CSR must help its performance and that managers who implement CSR activities that damage shareholder profits neglect their duty of good faith.

There are conflicting views on CSR, as previous studies on the correlation between CSR and enterprise value provide different results. For example, some prove a positive correlation [1], others a negative correlation [23], and some no correlation [24]. A firm’s CSR activities do not reveal a clear connection with financial performance. Instead, they help build a positive reputation for the firm while also incurring additional costs.

Recently, an analysis of the relationship between governance and ownership structure and CSR has been conducted. The successful implementation of corporate projects must be supported by effective governance [25]. Of course, with advanced technology, managers can share the information necessary for performing CSR [26]. Nevertheless, an entity’s social responsibility is a managerial concern [27]. CEOs in the U.S. crude petroleum and natural gas industry care about CSR only when their firms’ performance is near their target and not so much when performance is far below or above the target, especially if they have little stock ownership [28]. Tarighi et al. [29] report that financial distress risk is less evident among Iranian companies with more institutional owners that disclose more CSR information. Therefore, more institutional owners within a firm push managers to provide additional voluntary CSR disclosure so firms can maintain shareholder trust at the highest possible level and prevent financial distress.

Korean academia has also recognized the importance of CSR activities and analyzed the impact of CSR activities on corporate value and performance for Korean companies. A series of studies confirmed a significantly positive relationship between CSR activities of Korean companies and financial performance measured by ROA and Tobin Q [30–33]. Additionally, corporate value increased as CSR activity-related expenditures increased [34–37]. Meanwhile, companies that actively implement CSR activities showed higher earnings quality and persistence and better transparency in financial reporting than those that did not [38–42]. Furthermore, CSR activities positively affect companies’ information environment, as financial analysts’ profit prediction variance was lower in companies with higher CSR activities [43,44]. Studies examining CSR activities in terms of corporate governance reported that a better corporate governance structure results in more positive effects of CSR activities on corporate value [45–48]. Kim and Park [49] find that the positive relationship between CSR and the value of Korean firms is weaker in firms with high large shareholder ownership than in firms with low large shareholder ownership. This suggests the conflicting role of large shareholder ownership in the CSR–firm value relationship.

2.3. Research Hypotheses

From the firm’s perspective, CSR is considered a business strategy, and the level and scope of CSR activities are decisions made by the firm’s managers. Thus, such activities depend on their will [50]. As already mentioned, as managers may choose business policies that do not align with shareholder interests, this may incur agency costs related to CSR. Specifically, managers may abuse their decision-making power and gain private benefits from the added shareholder costs by inefficiently using available corporate resources [12,51,52]. In other words, if managers gain private benefits through CSR, such as improving their reputations, they have an incentive to implement CSR activities that are irrelevant to enterprise value. In contrast, if higher managerial ownership aligns the interests between managers and shareholders, CSR activities are implemented to increase long-term enterprise value. Barnea and Rubin [53] and Beltratti [54] find that CSR improves a firm’s reputation, increases employee productivity, and reduces costs and fines related to environmental
pollution, through which it enhances enterprise value. In sum, investments in CSR activities can be determined by the incentives of its managers as firm decision-makers.

According to the aforementioned management entrenchment and stockholder interests hypotheses, the preferences and incentives of managers vary depending on their managerial ownership. Therefore, the level of a firm’s CSR activities may vary depending on managerial ownership. On the one hand, higher managerial ownership can lead to greater alignment between the interests of managers and shareholders; in this case, the managers implement high-quality CSR, which improves the firm’s image and reputation, ultimately enhancing enterprise value. On the other hand, with increased ownership, managers may implement CSR activities that are irrelevant to enterprise value to improve their reputations or social status and gain private benefits. Additionally, some managers may use corporate resources in other projects, thereby avoiding CSR activities, aware that CSR does not lead directly to firm performance. For example, managers interested in performance-based incentives may maintain only a minimum level of expenditures on CSR activities even if there is a sufficient budget for them [55]. In other words, since there may be a two-way relationship between managerial ownership and CSR activities, to analyze this, we set up the following null hypothesis.

**Hypothesis 1.** Managerial ownership is not significantly associated with CSR engagement.

Concurrently, accounting transparency is also a variable that can assess the disposition of managers. Studies in accounting and finance have measured the quality of accounting information in terms of earnings management using discretionary accruals. Specifically, studies have estimated such discretionary accruals using the Jones model [56], with higher accrual-based earnings management indicating weak accounting transparency [57]. Accrual-based earnings management is a method of adjusting profits added to the cash flow by changing accounting methods, which can be reversed in the next term. Managers performing accrual-based earnings management that damages financial reporting quality focus on short-term performance and do not attach great importance to their social reputation. Generally, CSR activities have a long-term impact and are accompanied by costs not directly related to a firm’s profitability. Some studies have proven that investments in CSR increase a firm’s costs more than its benefits, thereby deteriorating enterprise value or business performance [23]. In other words, managers may receive favorable feedback by implementing CSR, but it may take a long time to build a strong reputation from such activities.

Managers trying to increase immediate profits through accruals may have an incentive to divert corporate resources to other projects that meet their private interests instead of making long-term investments in CSR as their ownership increases. Assuming that there is a difference in the relationship between managerial ownership and CSR engagement depending on the level of accounting transparency, we posit the second hypothesis as follows.

**Hypothesis 2.** Accounting transparency affects the association between managerial ownership and CSR engagement.

### 3. Model and Methods

#### 3.1. Sample Selection

To investigate the relationship between managerial ownership and CSR activities, we analyzed the books of non-financial enterprises closing in December of companies listed on KOSPI from 2013 to 2017. Financial data were extracted from KIS-VALUE, and managerial ownership data were collected from business reports filed by Korean financial supervisory authorities. The strength of a firm’s CSR record was determined based on the index announced by the KEJI under the CCEJ. We winsorized the top and bottom 1% values of the key independent variables to minimize the impact of extreme values on the analysis. As a result, we had a total sample of 3061 firm-year observations.
3.2. Research Model

3.2.1. Managerial Ownership

Generally, managerial ownership refers to the percentage of equity shares owned by managers on the board of directors [10,58]. Director ownership can be segmented into internal and external director ownership; however, managerial ownership generally refers to internal director ownership. Here, we exclude outside directors and include the ownership of executives (CEO, internal directors) as managerial ownership.

Lee et al. [59] classify firms whose managerial ownership is above average as owner-manager firms and others as professional manager firms. Based on this classification, we also identify managers’ shares depending on whether managerial ownership is above average.

3.2.2. Measurement of CSR

As mentioned, we use the KEJI Index to measure CSR activity. The KEJI, under the CCEJ, has been evaluating the social performance of companies listed on the Korea Stock Exchange every year since 1991. Additionally, it selects the top 200 CSR companies in the KEJI Index yearly. For our research, we labeled the firms in the top 200 companies selected on the KEJI Index as those with strong CSR and others with weaker CSR.

3.2.3. Regression Model

To analyze the relationship between managerial ownership and CSR activities, we built the following research models. Models (1) and (2) test Hypotheses 1 and 2, respectively, and are logit analyses, where CSR engagement is the dependent variable.

\[
\text{CSR}_i = \beta_0 + \beta_1 \text{MOWN}_1 + \beta_2 \text{SIZE}_i + \beta_3 \text{LEV}_i + \beta_4 \text{ROA}_i + \beta_5 \text{MTB}_i + \beta_6 \text{DIV}_i + \beta_7 \text{CFO}_i + \beta_8 \text{GROW}_i + \beta_9 \text{TAN}_i + \beta_{10} \text{CNA}_i + \beta_{11} \text{CINT}_i + \text{INDUSTRY DUMMIES} + \text{YEAR DUMMIES} + \epsilon
\]

(1)

\[
\text{CSR}_i = \beta_0 + \beta_1 \text{MOWN}_1 + \beta_2 \text{MOWN}_2 \times \text{DA}_i + \beta_3 \text{SIZE}_i + \beta_4 \text{LEV}_i + \beta_5 \text{ROA}_i + \beta_6 \text{MTB}_i + \beta_7 \text{DIV}_i + \beta_8 \text{CFO}_i + \beta_{10} \text{GROW}_i + \beta_{11} \text{TAN}_i + \beta_{12} \text{CNA}_i + \beta_{13} \text{CINT}_i + \text{INDUSTRY DUMMIES} + \text{YEAR DUMMIES} + \epsilon
\]

(2)

where:

- CSR = 1 if the firm is ranked in the KEJI Index, and 0 otherwise;
- MOWN = MOWN1, MOWN2;
- MOWN1 = percentage of managerial ownership;
- MOWN2 = 1 if the percentage of managerial ownership is higher than the average, and 0 otherwise;
- DA = Discretionary accruals calculated by the Jones model [56];
- SIZE = The natural logarithm of total sales;
- LEV = Total liabilities scaled by total equity;
- ROA = Net income scaled by total assets;
- MTB = The ratio of the market value of equity to the book value of equity;
- DIV = 1 if the firm paid dividends, and 0 otherwise;
- CFO = Cash flows from operations scaled by fixed assets;
- GROW = The natural logarithm of total assets scaled by total assets at the beginning of the year;
- TAN = Fixed assets scaled by total assets;
- CNA = Change in non-cash assets over the fiscal year scaled by total assets at the beginning of the year;
- CINT = Change in interest expenses over the fiscal year scaled by total assets at the beginning of the year.

CSR engagement, as the dependent variable, is measured based on whether the firm is included on the KEJI Index, as explained above; MOWN is the variable representing managerial ownership, measured in two ways: percentage of managerial ownership (MOWN1), which equals 1 if the percentage of managerial ownership is higher than the average, and 0 otherwise (MOWN2); β1, the coefficient of MOWN, is our coefficient of interest. We estimate discretionary accruals through the Jones model [56], widely used in previous studies, where higher accrual-
Based earnings management (namely, discretionary accruals (DA)) indicates weaker accounting transparency [57]. According to previous studies, our control variables include those known to affect CSR activities or expected to affect CSR activities. A bigger firm size leads to greater market attention, which increases the incentive to actively implement CSR activities; for this reason, we control firm size (SIZE). On the one hand, firms with a high debt-to-equity ratio (LEV) and greater interest expenses (CINT) cannot financially afford CSR activities due to financial constraints. On the other hand, firms with high cash flows from operations, growth, and profitability can afford to invest in CSR activities. Thus, cash flows from operations level (CFO), the ratio of the market value of equity to the book value of equity (MTB), asset growth (GROW), and net income scaled by total assets (ROA) are controlled for. In addition, we include asset tangibility (TAN) and change in non-cash assets (CNA). Dividend payment (DIV) is also controlled as more stable firms that pay dividends are likely to invest more in CSR, and year and industry dummies are included to control the effects of year and industry.

4. Results

4.1. Descriptive Statistics and Correlation Analysis

Table 1 shows the descriptive statistics of all the variables. First, CSR, which measures whether the firm is among the top 200 on the KEJI Index labeled as having the best CSR records, had a mean of 0.286, indicating that approximately 29% of the samples were actively performing CSR. MOWN1 and MOWN2, the managerial ownership variables, had means (medians) of 0.129 (0.056) and 0.382 (0.000), respectively, indicating that managerial ownership in the samples was approximately 13%, with 38% of the firms owner-managed; in these, managerial ownership exceeded the mean.

Table 1. Descriptive Statistics (n = 3061).

| Variable | Mean  | Std. | Q1    | Median | Q3    |
|----------|-------|------|-------|--------|-------|
| CSR      | 0.286 | 0.452| 0.000 | 0.000  | 1.000 |
| MOWN1    | 0.129 | 0.157| 0.001 | 0.056  | 0.231 |
| MOWN2    | 0.382 | 0.486| 0.000 | 0.000  | 1.000 |
| SIZE     | 19.509| 1.708| 18.543| 19.378 | 20.486|
| LEV      | 1.110 | 1.652| 0.306 | 0.678  | 1.263 |
| ROA      | 0.019 | 0.078| 0.003 | 0.025  | 0.053 |
| MTB      | 1.455 | 2.64 | 0.662 | 1.019  | 1.644 |
| DIV      | 0.700 | 0.458| 0.000 | 1.000  | 1.000 |
| CFO      | 1.045 | 2.435| 0.083 | 0.333  | 0.804 |
| GROW     | 0.024 | 0.145| −0.025| 0.022  | 0.077 |
| TAN      | 0.159 | 0.134| 0.051 | 0.128  | 0.239 |
| CNA      | 0.031 | 0.144| −0.029| 0.020  | 0.080 |
| CINT     | −0.001| 0.004| −0.002| 0.000  | 0.000 |
| DA       | 0.031 | 0.060| 0.013 | 0.032  | 0.066 |
| DA       | 0.031 | 0.060| 0.013 | 0.032  | 0.066 |

Variable definitions: CSR = 1 if the firm is ranked in the KEJI Index, and 0 otherwise; MOWN1= percentage of managerial ownership; MOWN2 = 1 if the percentage of managerial ownership is higher than the average, and 0 otherwise; SIZE = The natural logarithm of total sales; LEV = Total liabilities scaled by total equity; ROA = Net income scaled by total assets; MTB = the ratio of the market value of equity to the book value of equity; DIV = 1 if the firm paid dividends, and 0 otherwise; CFO = Cash flows from operations scaled by fixed assets; GROW = The natural logarithm of total assets scaled by total assets at the beginning of the year; TAN = Fixed assets scaled by total assets; CNA = Change in non-cash assets over the fiscal year scaled by total assets at the beginning of the year; CINT = Change in interest expenses over the fiscal year scaled by total assets at the beginning of the year; DA = Discretionary accruals calculated by the Jones model [56].

Table 2 shows the Pearson’s correlation among the variables used. The dummy variable CSR showing whether the firm is included on the KEJI Index had a significant positive correlation with MOWN1 and MOWN2. Additionally, CSR showed a significant positive correlation with the control variables SIZE (firm size), ROA (profitability), DIV (dividend payment), GROW (asset growth), TAN (asset tangibility), CNA (change in net assets), and CINT (change in interest expenses); and a significant negative correlation with LEV (debt-to-equity ratio), CFO (cash flows from operations), and DA (accounting transparency). It is difficult to conduct in-depth tests with just bivariate correlations. Therefore, we conducted a logit analysis, including the control variables.
Table 2. Correlation Matrix (n = 3061).

|       | CSR  | MOWN1 | MOWN2 | SIZE | LEV  | ROA  | MTB  | DIV  | CFO  | GROW | TAN  | CNA  | CINT | DA   |
|-------|------|-------|-------|------|------|------|------|------|------|------|------|------|------|------|
| CSR   | 1.00 | 0.10  | 0.12  | 0.05 | −0.14| 0.19 | −0.01| 0.20 | −0.06| 0.11 | 0.13 | 0.08 | 0.06 | −0.11|
| MOWN1 | 1.00 | 0.86  | −0.31 | 0.10 | −0.19| 0.10 | −0.10| 0.21 | 0.16 | 0.01 | −0.18| 0.01 | 0.04 | −0.04|
| MOWN2 | 1.00 | −0.28 | 0.09  | −0.11| −0.17| 0.12 | 0.00 | −0.17| −0.01| 0.04 | −0.06|      |      |      |
| SIZE  | 1.00 | 0.20  | 0.19  | −0.02| 0.19 | −0.19| 0.05 | 0.19 | −0.14| −0.14| 0.17 |      |      |      |
| LEV   | 1.00 | −0.32 | 0.13  | −0.35| −0.08| −0.16| 0.19 | −0.14| −0.14| 0.17 |      |      |      |      |
| ROA   | 1.00 | 0.02  | 0.45  | 0.11 | 0.26 | 0.02 | 0.22 | −0.01|      |      |      |      |      |      |
| MTB   | 1.00 | −0.07 | 0.03  | 0.12 | −0.03| 0.13 | −0.01| 0.15 |      |      |      |      |      |      |
| DIV   | 1.00 | 0.10  | 0.16  | −0.05| 0.14 | 0.15 |      |      |      |      |      |      |      |      |
| CFO   | 1.00 | 0.02  | −0.36 | −0.01| 0.00 |      |      |      |      |      |      |      |      |      |
| GROW  | 1.00 | 0.01  | 0.92  | 0.26 |      |      |      |      |      |      |      |      |      |      |
| TAN   | 1.00 | 0.00  | 0.00  |      |      |      |      |      |      |      |      |      |      |      |
| CNA   | 1.00 | 0.25  |      |      |      |      |      |      |      |      |      |      |      |      |
| CINT  | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |
| DA    | 1.00 |      |      |      |      |      |      |      |      |      |      |      |      |      |

This table presents the Pearson correlations between the variables for pooled samples. The bold number indicates statistical significance at the 0.05 level. See Table 1 for variable definitions.
4.2. Multivariate Analysis Results

4.2.1. The Impact of Managerial Ownership on CSR

Table 3 shows the effects of managerial ownership on CSR activities. The results indicate that the coefficients $\beta_1$, representing the effect of managerial ownership (MOWN1, MOWN2) on CSR engagement, are 1.3 and 0.552, with significant positive values at 1% significance. Specifically, firms with higher managerial ownership (MOWN1) are more active in CSR; and those with above-average managerial ownership (MOWN2) are on the KEJI Index as firms with excellent CSR records. Thus, we can conclude that firms with higher managerial ownership are more actively engaged in CSR. This suggests that, based on the stockholder interests hypothesis, an increase in managerial ownership will align the interests of managers and shareholders, incenting managers to actively conduct CSR activities to enhance enterprise value. Furthermore, in terms of the control variables, firms with higher profitability (ROA), growth (GROW), and dividend payment (DIV) make more investments in CSR activities. However, firms with higher debt-to-equity ratios (LEV) are less active in CSR activities.

Table 3. Impact of managerial ownership on CSR.

| Variables | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square |
|-----------|-------------|----------------|-------------|----------------|
| Intercept | −2.178      | 12.68 ***      | −2.434      | 15.94 ***      |
| MOWN1     | 1.300       | 19.29 ***      | 0.552       | 33.43 ***      |
| MOWN2     |             | 0.552          |             | 0.00           |
| SIZE      | −0.013      | 0.17           | −0.001      | 0.00           |
| LEV       | −0.257      | 17.09 ***      | −0.271      | 18.38 ***      |
| ROA       | 4.733       | 27.26 ***      | 4.733       | 26.75 ***      |
| MTB       | −0.014      | 0.16           | −0.013      | 0.13           |
| DIV       | 0.660       | 27.04 ***      | 0.631       | 24.72 ***      |
| CFO       | −0.029      | 1.40           | −0.026      | 1.13           |
| GROW      | 3.100       | 12.15 ***      | 3.134       | 12.25 ***      |
| TAN       | 2.718       | 45.66 ***      | 2.822       | 48.60 ***      |
| CNA       | −2.314      | 7.42 ***       | −2.273      | 7.11 ***       |
| CINT      | 24.421      | 2.91 *         | 23.793      | 2.71 *         |

IND Included, YR Included

Pseudo $R_2$ 0.12, 0.13

N 3061, 3061

See Table 1 for variable definitions. ***, and * represent significance at 1%, and 10%, respectively.

4.2.2. The Impact of Managerial Ownership on CSR Considering Accounting Transparency

Table 4 shows how accounting transparency affects CSR engagement depending on managerial ownership. The results show that coefficients $\beta_2$ of MOWN1 × DA, and MOWN2 × DA, representing the interaction between accounting transparency and managerial ownership, are −12.613 and −3.430, respectively, with significant negative values. These results imply that, in firms with low accounting transparency where management performs accrual-based earnings management, the managers are more passive about investing in CSR activities as their ownership increases. This indicates that owner-managers of firms where earnings management causes information asymmetry reduce expenditures on CSR activities that require long-term costs.
Table 4. Impact of managerial ownership on CSR according to accounting transparency.

| Variables     | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square |
|---------------|-------------|----------------|-------------|----------------|
| Intercept     | −1.915      | 9.30 ***       | −2.135      | 11.62 ***      |
| MOWN1         | 1.904       | 24.97 ***      | 0.702       | 32.46 ***      |
| MOWN2         |             |                | −12.613     | 5.69 **        |
| MOWN1 × DA    |             |                | −3.430      | 3.59 *         |
| MOWN2 × DA    |             |                | −0.993      | 0.66           |
| DA            | −0.612      | 0.25           | −0.993      | 0.66           |
| SIZE          | −0.023      | 0.48           | −0.011      | 0.12           |
| LEV           | −0.241      | 15.06 ***      | −0.254      | 16.18 ***      |
| ROA           | 5.593       | 32.75 ***      | 5.551       | 31.59 ***      |
| MTB           | −0.014      | 0.15           | −0.012      | 0.12           |
| DIV           | 0.592       | 21.14 ***      | 0.569       | 19.55 ***      |
| CFO           | −0.041      | 2.78 *         | −0.037      | 2.20           |
| GROW          | 3.099       | 11.78 ***      | 3.084       | 11.53 ***      |
| TAN           | 2.690       | 44.37 ***      | 2.783       | 46.95 ***      |
| CNA           | −2.225      | 6.74 ***       | −2.154      | 6.27 **        |
| CINT          | 25.067      | 3.02 *         | 24.552      | 2.85 *         |

IND Included
YR Included
Pseudo $R^2$ 0.13
N 3061

See Table 1 for variable definitions. ***, **, and * represent significance at 1%, 5%, and 10%, respectively.

4.3. Additional Analyses

The Impact of Managerial Ownership Levels on CSR

In some additional tests, we analyze the hypotheses based on whether the range of managerial ownership is above 5%, between 5% and 25%, and above 25%. After studying the correlation between managerial ownership and enterprise value, Morck et al. [59] report that the impact of managers’ decisions on enterprise value varies at different levels of managerial ownership. Therefore, considering that the relationship between managerial ownership and CSR activities may vary depending on the level of managerial ownership, we classify managerial ownership into three ranges to investigate how CSR activities differ in each range.

CSR is the dependent variable in these additional tests; it equals 1 if the firm is included in the KEJI Index and 0 otherwise. The results show that the coefficients $\beta_1$, representing the effect of managerial ownership on CSR engagement, are 0.418, 0.107, and 0.407 at the different levels, respectively, showing significant positive values at 1% significance only when managerial ownership is 5% or higher (MOWN1) and 25% or higher (MOWN3). The results are not significant when managerial ownership is between 5% and 25% (MOWN2). This may be because, in this range, the stockholder interests hypothesis and management entrenchment hypothesis are both at play. The results, presented in Table 5, align with our main tests.

Table 6 shows the impact of accounting transparency on CSR activities depending on the level of managerial ownership. Among the interaction terms of accounting transparency and manager ownership, the coefficients $\beta_2$ of MOWN1 × DA and MOWN3 × DA are −3.236 and −4.285, respectively, showing significant negative values at 10% and 5% significance, respectively. These results indicate that managers undermining accounting transparency through earnings management use corporate resources in projects other than CSR as their ownership increases. The Table 6 results are in line with Tables 4 and 5 the results, thereby supporting the robustness of our research.
### Table 5. Impact of managerial ownership on CSR at different levels of managerial ownership.

| Variables | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square |
|-----------|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| Intercept | -2.118      | 12.21 ***       | -1.269      | 4.97 **         | -1.808      | 9.42 ***        |
| MMOWN1    | 0.418       | 19.62 ***       | 0.107       | 1.30            |             |                 |
| MMOWN2    |             |                 |             |                 |             |                 |
| MMOWN3    |             |                 |             |                 |             |                 |
| SIZE      | -0.018      | 0.30            | -0.054      | 3.06 *          |             |                 |
| LEV       | -0.260      | 17.19 ***       | -0.260      | 17.34 ***       | -0.258      | 17.31 ***       |
| ROA       | 4.755       | 14.61 ***       | 3.763       | 4.760           | 27.84 ***   |                 |
| MTB       | 0.0014      | 0.16            | 0.023       | 0.41            | -0.017      | 0.24            |
| DIV       | 0.679       | 28.98 ***       | 0.756       | 36.91 ***       | 0.703       | 31.21 ***       |
| CFO       | -0.030      | 1.53            | -0.026      | 1.16            | -0.027      | 1.23            |
| GROW      | 3.104       | 12.29 ***       | 2.982       | 11.63 ***       | 3.070       | 12.03 ***       |
| TAN       | 2.725       | 45.61 ***       | 2.592       | 41.93 ***       | 2.681       | 44.57 ***       |
| CNA       | -2.324      | 7.53 ***        | -2.227      | 7.07 ***        | -2.301      | 7.40 ***        |
| CINT      | 23.627      | 2.71 *          | 24.111      | 2.90 *          | 24.181      | 2.89 *          |

**MMOWN1** = 1 if managerial ownership > 5%, and 0 if managerial ownership < 5%; **MMOWN2** = 1 if 5% ≤ managerial ownership < 25%, and 0 if managerial ownership < 5% or managerial ownership ≥ 25%; **MMOWN3** = 1 if managerial ownership ≥ 25%, and 0 if managerial ownership < 25%. See Table 1 for other variable definitions. ***, **, and * represent significance at 1%, 5%, and 10%, respectively.

### Table 6. Impact of managerial ownership on CSR according to accounting transparency: Different ranges of managerial ownership.

| Variables | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square | Coefficient | Wald Chi-Square |
|-----------|-------------|-----------------|-------------|-----------------|-------------|-----------------|
| Intercept | -1.854      | 8.82 ***        | -0.920      | 6.03 **         |             |                 |
| MMOWN1    | 0.559       | 20.86           | 0.096       | 0.61            |             |                 |
| MMOWN2    |             |                 |             |                 |             |                 |
| MMOWN3    |             |                 |             |                 |             |                 |
| MMOWN1×DA | -3.236      | 3.22 *          |             |                 |             |                 |
| MMOWN2×DA |             |                 | 0.145       | 0.01            |             |                 |
| MMOWN3×DA |             |                 |             |                 |             |                 |
| DA        | -0.588      | 0.18            | -2.476      | 4.89 **         | -1.385      | 1.64            |
| SIZE      | -0.027      | 0.70            | -0.063      | 4.10 **         | -0.040      | 1.58            |
| LEV       | -0.243      | 15.14 ***       | -0.243      | 15.14 ***       | -0.241      | 15.16 ***       |
| ROA       | 5.466       | 31.55 ***       | 5.394       | 31.39 ***       | 5.546       | 32.49 ***       |
| MTB       | -0.012      | 0.12            | -0.020      | 0.31            | -0.015      | 0.17            |
| DIV       | 0.624       | 23.75 ***       | 0.696       | 30.37 ***       | 0.633       | 24.52 ***       |
| CFO       | -0.041      | 2.79 *          | -0.035      | 1.98            | -0.039      | 2.51            |
| GROW      | 2.985       | 11.00 ***       | 2.918       | 10.62 ***       | 3.083       | 11.72 ***       |
| TAN       | 2.667       | 43.45 ***       | 2.545       | 40.13 ***       | 2.655       | 43.40 ***       |
| CNA       | -2.139      | 6.25 **         | -2.100      | 6.08 **         | -2.238      | 6.86 **         |
| CINT      | 24.166      | 2.79 *          | 22.584      | 2.51            | 24.212      | 2.86 *          |

**MMOWN1** = 1 if managerial ownership ≥ 5%, and 0 if managerial ownership < 5%; **MMOWN2** = 1 if 5% ≤ managerial ownership < 25%, and 0 if managerial ownership < 5% or managerial ownership ≥ 25%; **MMOWN3** = 1 if managerial ownership ≥ 25%, and 0 if managerial ownership < 25%. See Table 1 for other variable definitions. ***, **, and * represent significance at 1%, 5%, and 10%, respectively.
5. Discussion

This study examines how managerial ownership, a critical firm characteristic, affects CSR activities among KOSPI-listed companies. Our analysis considers the two conflicting theories of managerial ownership, management entrenchment, and the stockholder interests hypotheses. We use director ownership, excluding outside directors, to measure managerial ownership, and CSR activities are identified based on the index announced every year by the KEJI.

The results show that firms with higher managerial ownership are those listed among the top 200 CSR companies on the KEJI Index, proving that firms with higher managerial ownership are more active in CSR activities. The implication is that, based on the stockholder interests hypothesis, an increase in managerial ownership will align the interests of managers and shareholders more closely, encouraging managers to actively conduct CSR activities to enhance enterprise value.

However, in firms with higher accrual-based earnings management, the managers reduced investments in CSR even with increased ownership. The implication is that, in such cases, where there is deteriorating financial reporting quality and excessive information asymmetry with earnings management, the managers do not value ethical or social reputation. Thus, they have a higher incentive to divert the resources allocated for CSR to other projects that meet their private interests.

Our secondary analysis classified managerial ownership into 5% or higher, between 5% and 25%, and 25% or higher, examining CSR activities based on these ranges. The results show that firms with managerial ownership of 5% or higher and 25% or higher are among the top 200 CSR companies on the KEJI Index. Meanwhile, firms with managerial ownership between 5% and 25% are not on the KEJI Index—this is the range where the mix of the stockholder interests and management entrenchment hypotheses may affect the result.

This study expands the literature on the effects of firm ownership on CSR investment based on the assumption that CSR engagement varies depending on the level of managerial ownership. Additionally, the results imply that managers who create information asymmetry through earnings management are more passive about CSR investment related to improving a firm’s image and, through that, its value. Ultimately, this study implies that the characteristics of managers as decision-makers are key factors affecting CSR engagement.

Prior studies examined the impact of corporate governance mechanisms such as board diversity and board independence, foreign ownership as a blockholder, and the control-ownership wedge (the difference between voting rights and cash flow rights) on investment in CSR activities [60–62]. This study contributes to the existing literature by providing evidence on managerial ownership in a firm’s CSR strategy.

6. Conclusions

This study investigates the relationship between managerial ownership and CSR activities according to different managerial CSR incentives and ownership levels. Firms with higher managerial ownership are more actively involved in CSR. Moreover, firms engaged in earnings management are less likely to conduct CSR activities as managerial ownership increases. Recently, Korean firms are increasing their investment in CSR, especially ESG (Environmental, Social, Governance). Currently, the Korean government is promoting various systems that strengthen the ESG disclosure responsibility of listed companies. For example, from 2025, companies with assets above 2 trillion Korean won and listed in the Kospi stock market are required to disclose sustainability management reports. Additionally, Korean financial supervisory authorities are considering that firms include ESG-related information in their financial statements. Therefore, our study results imply that Korean supervisory authorities should prepare a system reflecting that investment in CSR activities such as ESG may be affected by the characteristics of corporate ownership structure.

Our study has the following limitations. First, we indicated that some firms included in the top 200 companies selected on the KEJI index are active in CSR, and others are not.
KEJI index comprises six indicators: soundness, fairness, social contribution, consumer protection, environmental management, and employee satisfaction. This study has limitations in that it only analyzed whether firms have invested in CSR. Future research may be conducted using firm-specific scores employing the KEJI index with six indicators. Second, we used secondary data in this study. However, analysis using more unique data could have provided more distinct results. Third, other factors that are not controlled in this study may affect the independent and dependent variables. Various control variables were included to supplement this possibility. However, omitted variables could not have been considered in this research. Finally, we used a sample of firms listed on the KOSPI stock market, where stocks of larger firms are traded. Thus, the study results may not be applied to all companies listed on the Korean stock market.

In a follow-up study, an analysis of firms listed on the Korea Securities Dealers Automated Quotation (KOSDAQ) stock market, with characteristics different from firms listed on the KOSPI market, could provide additional study contributions. Further research may use the level of a firm’s CSR activity, in which we calculate firm-specific scores employing the KEJI index. Future studies can use separate scores of the six KEJI index sub-indicators. The six sub-indicators are soundness, fairness, social contribution, consumer protection, environmental management, and employee satisfaction. Using these separate indicators, we can examine whether managerial ownership affects a firm’s CSR activity level. Moreover, as the importance of ESG, which is related to CSR and represents corporate sustainability, is growing in Korea, further study can investigate the impact of managerial ownership on firms’ ESG performance using ESG ratings.

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