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Corporate governance, CSR mediation, and firm performance in family firms

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ABSTRACT

This study examines whether corporate governance (CG) improves firm performance (FP) directly and indirectly through corporate social responsibility (CSR) in Indonesian family firms, and whether the pattern differs between family-CEO-led and non-family-CEO-led firms. The study analyzes 431 firm-year observations from 114 family firms listed on the Indonesia Stock Exchange during 2021–2025, using purposive sampling after excluding z-score outliers. Panel regression is used to test the direct relationships, while a three-step mediation procedure and a bootstrapped indirect-effect test assess the mediating role of CSR. The results show that CG has a positive and statistically significant effect on FP and CSR. CSR also has a positive effect on FP and partially mediates the relationship between CG and FP. The mediation effect is stronger in family-CEO-led firms, where the direct effect of CG on FP becomes weaker after CSR is included. Family-CEO-led firms also record higher average firm performance than firms managed by non-family CEOs. These findings indicate that CSR is an important mechanism through which governance quality contributes to performance in family firms. The study contributes to the family business literature by integrating governance, sustainability, and management type, and offers practical implications for regulators, boards, and family owners in emerging markets.

Contribution/Originality: By differentiating between family-CEO-led and professionally managed family businesses in Indonesia and by examining CSR as a mediator in the connection between corporate governance and firm performance, this study adds to our knowledge of the dynamics of sustainability and governance in family businesses.

1. INTRODUCTION

The involvement of family members in family enterprises strongly affects the ownership and management impact of the company (Nakpodia, 2024). These firms are significant contributors to economic activity, employment, and long-run company sustainability in Indonesia (Itan, Ahmad, Setiana, & Karjantoro, 2024). The significant linkages between ownership, control, family identity, and management decision-making might pose peculiar problems in their governance structure (Nakpodia, 2024). Family firms may typically be classified into two groups depending on managerial control: family CEO-led and professional CEO-led enterprises (Waldkirch, 2020). These two management styles may have distinct priorities in strategic choices, governance, and sustainability initiatives (Itan et al., 2024).

Family-led enterprises tend to be more willing to uphold family values, tradition, and reputation in their strategic decisions (Sharma, Chrisman, Chua, & Steier, 2020; Spielmann, Cruz, Tyler, & Beukel, 2021). "Decisions have to be taken with a view to the near term and to preserve the family name, trust, and legacy," he said. Professional family enterprises pay attention to operational efficiency, objective decision-making, and proven financial targets (García-Sánchez, Martínez-Ferrero, & García-Meca, 2020; Habba, Allioui, & Farhane, 2023; Waldkirch, 2020). While professional managers may provide fresh perspectives and a focus on achievements, they generally prioritize short-term performance metrics above family-oriented, non-financial goals (Piyasinchai, Thananusak, & Hughes, 2024).

The long-term viability of family businesses depends on good corporate governance policies that promote transparency, equality, accountability, responsibility, and effective supervision (Al-Ahdal, Alsamhi, Tabash, & Farhan, 2020; Ludwig & Sassen, 2022). According to Hammami and Hendijani Zadeh (2020); Jacoby, Liu, Wang, Wu, and Zhang (2019); and Luca, Tiganas, Grigoras-Ichim, Filipeanu, and Morosan-Danila (2024), good governance increases stakeholder trust, decreases agency costs, and improves firm performance. According to previous studies (Kwon & Lee, 2019; Pintea, Pop, Dan Gavriletea, & Sechel, 2021; Xu, Graves, Shan, & Yang, 2022). Tobin's Q is a more appropriate indicator than accounting-based metrics such as ROA and ROE because it reflects market expectations about future firm value. The reason for this is that Tobin's Q represents what the market anticipates in terms of the firm's development, reputation, long-term value, governance quality, and future.

Corporate social responsibility (CSR) is also significant since there is an increasing expectation that family businesses would strike a balance between profit and social and environmental responsibility (Koentjoro & Gunawan, 2020). According to Macassa, Rashid, Rambaree, and Chowdhury (2022) and Khuong, Truong An, and Thanh Hang (2021), businesses have a duty to prioritize the well-being of stakeholders, the community, and the environment as part of their corporate social responsibility (CSR) efforts. Corporations run by families may interpret corporate social responsibility (CSR) differently.

It may serve as a representation of the family's principles and contribute to the establishment of trust, validity, and longevity (Kuttner, Feldbauer-Durstmüller, & Mitter, 2021). Consistent communication with stakeholders and the development of credible CSR activities are hallmarks of well-controlled enterprises. Accordingly, CSR has the potential to connect good governance with firm value (Bolourian, Angus, & Alinaghian, 2021; Xu et al., 2022).

In line with other studies, Akhter and Hassan (2024); Ali et al. (2020); and Yang, Na, and Dong (2024) have studied CG, CSR, and FP in many contexts. The majority of the literature, however, focuses on studies that examine particular correlations between variables, such as those between CG and FP (Al-Ahdal et al., 2020; Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019; Puni & Anlesinya, 2020) CG and CSR (Fahad & Rahman, 2020; Pekovic & Vogt, 2021; Tibiletti, Marchini, Furlotti, & Medioli, 2021) or CSR and FP (Cho & Ryu, 2022; Oduro, Umar, De Massis, & Haylemariam, 2025; Sardana, Gupta, Kumar, & Terziovski, 2020). Research on corporate social responsibility (CSR) as a link between corporate governance (CG) and firm performance (FP) is sparse, particularly for family businesses in Indonesia and those with different types of family business management (Xu et al., 2022). This research addresses a knowledge vacuum by investigating how CSR mediates the connection between family businesses with a CEO and family businesses that are professionally run.

Questions like 'Does CG influence FP in Indonesian family firms?' (RQ1) guide the research. Second, does CSR mediate the link between CG and FP in Indonesian family businesses? Third Research Question: Is CSR more mediating in family CEO-led family enterprises than in professionally managed family firms?

In this research, we would want to evaluate the function of CSR as a mediator of the link between CG and FP in family firms in Indonesia. The effect on management styles is also reviewed in the study. The findings are expected to shed light on the theoretical and practical implications of combining sustainability principles and governance practices to enable family enterprises in Indonesia to grow and survive.

2. LITERATURE REVIEW

2.1. Theoretical Frameworks

This study integrates agency theory, stakeholder theory, and SEW theory to examine how governance structures, CSR strategies, and FP interact in family-controlled businesses.

2.1.1. Agency Theory

The agency theory of Jensen and Meckling (1976) is concerned with the relationship between the owners (the principals) and managers (the agents). The relationship is more complex in family enterprises, since relatives are commonly in both management and ownership positions (Qiu & Freel, 2020). The self-interest of family managers above the firm's interest may adversely affect optimal decision-making and firm performance (Tsaban & Shavit, 2024). Such independent boards are effective CG structures that will assist principals in reducing these conflicts and aligning everyone with the company's goals (Yang et al., 2024). Yeon, Lin, Lee, and Sharma (2021) said that CSR enables family businesses to overcome agency concerns, while (Sethi, Martell, & Demir, 2017) observed that consistent CSR policies increase the firm's trust and reputation among investors. In this paradigm, CSR is a factor for the improvement of business performance through the strengthening of the trust of the stakeholders through supervision (Glaveli, 2021; Wojtaszek et al., 2023).

The nature of the firm, government policies, and corporate social responsibility (CSR) may affect the strength of the CG-CSR-FP link. Therefore, the study treats company size and leverage as separate variables (Eng & Mak, 2003). Larger firms usually have more opportunities to invest in technology, capital, and other elements that enhance their performance (Manzi, Cirillo, Mussolino, & Uman, 2025). This is because the size of the company is indicative of its resources and operational capacity. On the other hand, leverage is the degree to which a capital structure uses debt (Abubakar & Anyonje, 2025). High debt levels influence both financial risk and the company's capacity to reach optimum performance (Murombi & Mohammed, 2025). By managing these two elements, we could get a better understanding of how CSR and corporate governance impact the profitability of family firms.

2.1.2. Stakeholder Theory

Miles (2017) states that stakeholder theory does not just refer to shareholders but also to the wishes and expectations of other groups such as communities, governments, workers, and consumers (Abeysekera & Fernando, 2020; Mason & Simmons, 2014). Jordi (2010) argues that organizations should not just focus on financial advantages but also consider the demands of all stakeholders. Indonesian family enterprises are founded on family ideals of sustainability and long-term well-being (Curado & Mota, 2021; Stock, Pütz, Schell, & Werner, 2024). Thus, stakeholder theory is especially pertinent to CSR efforts in Indonesian family enterprises. The numbers are a signal for family enterprises to turn to local communities and the environment. This enables them to develop collaborations with external stakeholders such as governments and communities, thereby promoting enterprise sustainability (Bruna & Nicolò, 2020). This technique helps obtain better firm results by gaining public trust and accomplishing realistic, long-term objectives in the end (Ali et al., 2020).

Stakeholder theory suggests that there might be a link between characteristics of a corporation and its reaction to stakeholder requests. Therefore, in this study, firm size and amount of debt are considered to be independent variables. The size of a corporation is a proxy for its resources, operational competence, and public recognition. Large firms are more likely to have the resources to support sustainability-oriented activities and to experience greater pressure from stakeholders to establish effective governance and CSR policies, according to Forcadell, Lorena, and Aracil (2023) and Manzi et al. (2025). Leverage is a measure of the amount of debt financing used by a corporation. Higher debt levels may lead to more scrutiny and financial stress on firms, which might impact management choices, CSR allocation, and firm performance outcomes (Abubakar & Anyonje, 2025; Murombi & Mohammed, 2025). This study may offer a more precise evaluation of the relationship between corporate governance, CSR, and commercial performance in Indonesian family firms by restricting company size and leverage.

2.1.3. Socioemotional Wealth Theory

Family firms may be motivated to engage in CSR for a variety of reasons, such as, but not limited to, financial gain, enhancing the family brand, and ensuring the company survives in the long run (SEW theory). For instance, Diéguez-Soto, Campos-Valenzuela, Callejón-Gil, and Aldeanueva-Fernández (2024) found that family firms engage in CSR to retain socioemotional richness and strong community ties rather than to enhance short-term profitability. Rehman and Hamdan (2023) found that family enterprises are better at doing good for society since they are more forward-thinking. Family-controlled companies prioritize internal CSR goals (e.g., employee well-being, sustainability) above external CSR goals (e.g., public image, branding) Rivera-Franco, Requejo, and Suárez-González (2025). The study adopts a multi-theoretical framework combining theories of agency, stakeholders, and SEW to analyze the emotional, financial, and ethical dynamics occurring in family firms.

2.2. Hypothesis Development

With growing competitiveness, CG is important for company survival (Crifo, Escrig-Olmedo, & Mottis, 2019). CG considerably enhances FP (Napitupulu, Situngkir, Basuki, & Nugroho, 2023; Puni & Anlesinya, 2020). According to Al-Ahdal et al. (2020), functioning management systems make everyone in the firm more responsible and more transparent with each other.

CG is a key instrument in managing strategic risks, improving operational efficiency, and fostering stakeholder trust in a dynamic business environment (Vural-Yavaş, 2021). CG can reduce the likelihood of owner-manager conflicts according to agency theory (Bellavitis, Deloof, Filatotchev, Hermes, & Paeleman, 2023). CG makes managers more transparent and implements effective oversight processes to guarantee that choices benefit firm owners (Napitupulu et al., 2023).

According to Cahyono, Harymawan, Djajadikerta, and Noman (2024), stakeholder theory highlights the significance of considering the interests of all parties in managing a company's operations. Therefore, CG enables companies to enhance their market reputation, promote a healthy work environment, and meet the needs of stakeholders (Ghuslan, Jaffar, Mohd Saleh, & Yaacob, 2021; Ludwig & Sassen, 2022; Zhang, Zhang, An, Zhang, & Yao, 2022). Bringing all these elements together strengthens FP, makes more capital available, reduces capital expenditure, and leads to higher profits and an increased value of the business (Ghassim & Bogers, 2019).

CG can help organizations gain respect from customers, associates, and the general public in the external world (Ghuslan et al., 2021). A strong reputation is a critical asset that helps develop client loyalty, attract strategic collaborations, and secure big contracts (Khan, Salamzadeh, Iqbal, & Yang, 2022). This leads to a better market position for the business and ensures the firm's long-term survival (Tjahjadi, Soewarno, & Mustikaningtiyas, 2021).

Strong CG whistleblower systems, robust audits, adequate board size, and active shareholder participation greatly promote FP in Indonesia (Xu et al., 2022). Similar results were obtained by Huynh, Hoque, Susanto, Watto, and Ashraf (2022) and Tanjung (2020). From this discussion, the following hypothesis emerges.

H_1: CG has a significant positive impact on FP.

As the demands and expectations of stakeholders grow, corporate social responsibility (CSR) serves as a bridge between ethical business practices and society's long-term sustainable performance (Fiandrino, Devalle, & Cantino, 2019). According to stakeholder theory, businesses should act in accordance with the wishes of their many constituencies, including employees, customers, communities, and shareholders (Zhang et al., 2022). CSR, on the other hand, refers to the practice of prioritizing the well-being of society and other stakeholders over the financial gain of shareholders (Siltaloppi, Rajala, & Hietala, 2021). Tibiletti et al. (2021) CSR policies that prioritize environmental and social sustainability demonstrate a company's dedication to serving the greater good. Such policies have positive effects on the company's reputation, stakeholder relationships, and financial performance (Kucharska, 2020; Saeidi, Robles, Saeidi, & Zamora, 2021; Shahzad, Qu, Javed, Zafar, & Rehman, 2020).

From the agency theory perspective, CSR assists in equalizing the information playing field between management and owners (Hickman, 2020). The existence of well-organized CSR policies suggests that owners and managers have shared objectives, decreasing the likelihood of disputes and aiding in the building of trust (Cho & Ryu, 2022). Trust between owners and managers increases the effectiveness of the partnership, leading to increased stability in the organization and higher performance, as stated by de Oliveira and Rabechini (2019) and Gupta, Crilly, and Greckhamer (2020). In addition, CSR helps long-term innovation (Khan et al., 2021). Bai, Ullah, Arif, Erfanian, and Urooge (2023) claim that firms with good corporate governance and integrated CSR policies are more capable of adapting to market and legislative changes driven by sustainability. CSR-driven innovation benefits people and the planet, which boosts the company's bottom line and public image in the long run (Okafor, Adeleye, & Adusei, 2021; Wolniak et al., 2023). In addition, CSR-driven innovation increases the company's competitiveness and opens new markets.

In general, CSR acts as a mediator in the relationship between CG and FP (Maali, Rakia, & Khaireddine, 2021). According to Newman, Rand, Tarp, and Trifkovic (2020), embedding CSR in corporate strategy can help to align stakeholders' interests with operational strategies and can help to make management more transparent and accountable. Xu et al. (2022) reported that CSR plays a mediating role between CG and FP. This is bad for nonfamily firms, but it has a strong impact on family businesses. This corroborates the findings of Akhter and Hassan (2024), who suggest that CSR is a mediator of the CG-FP relationship, with ownership and board composition being the two most critical variables impacting FP. This discussion brings us to the hypothesis that:

H_2: CSR mediates the relationship between CG and FP.

Family businesses have specific governance characteristics, such as the interaction of personal ambitions, family relations, and the company's long-term plans (Nakpodia, 2024). These unique characteristics imply that CSR dynamics are different in family-owned businesses and businesses led by professionals (Diéguez-Soto et al., 2024). Family-managed enterprises are not only responsible for producing a profit but also for preserving the family's reputation as an example of successful succession (Ciravegna, Kano, Rattalino, & Verbeke, 2020; Combs, Jaskiewicz, Ravi, & Walls, 2023). This follows stakeholder theory. Some of the frequently mentioned objectives of corporate social responsibility (CSR) are to enhance relations with local communities, customer retention (Fandos-Roig, Sánchez-García, Tena-Monferrer, & Callarisa-Fiol, 2021), and to reinforce the image of the company (Kuttner et al., 2021). Consequently, CSR implementation in family-managed businesses is often more sustainable and has a greater impact on improving FP (Xu et al., 2022).

Corporate social responsibility is approached differently by professionalized family businesses (Diéguez-Soto et al., 2024). Financial goals and operational efficiency are the primary concerns of professional managers, as stated in agency theory (Itan et al., 2024). Because of this, agency conflicts may arise, as professionals tend to prioritize short-term gains over the long-term goals that family owners have set for themselves (Cioca, Wehbe, Popescu, & Popescu, 2020). Despite the importance of corporate social responsibility (CSR), these firms approach implementing CSR with a more pragmatic and less emotional approach (Shen, Gu, & Lu, 2024). Rather than seeing CSR as an expression of their own beliefs, professional managers are more inclined to view it as a means to accomplish regulatory compliance, enhance the company's reputation, or decrease risk (Cioca et al., 2020). According to Oduro et al. (2025), family-managed enterprises that are professionally managed tend to have worse overall financial performance (FP), whereas family-managed enterprises managed by family members may have a stronger impact on FP.

According to studies conducted by Rivera-Franco et al. (2025), family businesses are more likely to engage in social responsibility than non-family businesses because they utilize internal CSR to fortify the family's identity. These findings corroborate those of Rehman and Hamdan (2023), who postulate that family members' participation as owners and managers enhances the CSR performance of family businesses. Consistent with SEW theory, which holds that CSR benefits both society and the economy, this study's findings support this view. Because of the personal investment and focus on the future that comes with family ownership, businesses run by families tend to be more committed to CSR initiatives than those run by professionals. Because it builds relationships with stakeholders and improves the company's reputation, this commitment makes FP better than in professionally run family businesses.

As the strategic direction of family CEO-led entities is more associated with long-term value preservation and stakeholder involvement, SEW theory suggests that these enterprises would generate better FP than externally led firms. This debate brings us to the hypothesis.

H_3: Family businesses led by family CEOs achieve higher FP than family businesses managed by non-family CEOs.

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Sample and Data

This research aims to analyze all family-owned companies listed on the IDX during the period 2021–2025 that actively published sustainability and annual reports. The research comprised three categories of participants: Family businesses come in three different types: (1) those run by immediate family members, (2) those run by members of different families, and (3) a combination of both.

For this study, family firms are defined as enterprises in which at least 25% of the company is owned by a member of the same family and in which two or more members of that family are in management positions (De Massis, Kotlar, Campopiano, & Cassia, 2013). 114 firms met these criteria, and they provided us with 570 firm-year observations. Of these firms, 46 were professionally run, and 68 were family-run.

Before the regression analysis, a z-score test was conducted to identify and remove outlier observations. Sharifnia, Kpormegbey, Thapa, and Cleary (2026) standardized each study variable to a z-score. Outliers were defined as observations that were statistically different from the normal distribution of the data and were beyond the range of ±3. Then, we removed observations that fulfilled these criteria from the sample to improve the reliability of the regression model and to reduce the chance of research bias. With this strategy, we were able to eliminate 139 data points that were clearly anomalous. Thus, 431 data points were evaluated.

To ensure consistency between annual reports and sustainability reports, Data were collected for the 2021–2025 period. This extended the coverage of the original data set beyond three years. In prior years, many family enterprises did not regularly produce similar sustainability statistics, so a longer time horizon would have reduced the value of the sample and broken the equilibrium of the panel. The five years of consistent reporting give stronger observations of the relationship between performance, CSR, and governance. Table 1 presents the sample selection and distribution across family CEO (FCEO)- and non-family CEO (NFCEO)-managed firms, including the initial observations, observations excluded as outliers, and the final sample used in the analysis.

Table 1. Analysis of the sample.

Description	Full sample	FCEO	NFCEO
Sample	114	68	46
Total observation data	570	340	230
Observations discarded (Outliers)	139	79	60
Final sample	431	261	170

3.2. Variables and Measurements

The definitions and measurement methods for the variables used in this study are as follows:

3.2.1. Dependent Variable

Firm performance (FP) is the dependent variable in this study. It demonstrates how well a firm is doing in attaining its aims and maximizing its resources to satisfy stakeholders (Nasrallah & El Khoury, 2022). Tobin's Q is a measure of FP that compares a company's management of assets and capital to its potential for growth in market value (Kwon & Lee, 2019; Xu et al., 2022).

$$Tobin's\ Q = \frac{Market\ capitalization + long\text{-}term\ debt}{Total\ assets} \qquad (1)$$

3.2.2. Independent Variable

The independent variable in this research is corporate governance (CG), measured by the Corporate Governance Index (CGI) (Tanjung, 2020). CGI is measured by the degree of effective CG implementation (Mishra, Jain, & Manogna, 2021). The index measures transparency, accountability, independence, and equality against OECD criteria. The CGI score is calculated by summing all scores assigned to the CG indicators and dividing the total by the number of indicators.

$$CGI = \frac{\sum Corporate\ governance\ question\ scores}{33} \qquad (2)$$

3.2.3. Mediating Variable

CSR is a mediating variable in this research (Licandro, Vázquez-Burguete, Ortigueira, & Correa, 2023). It indicates that the firm is committed to doing the right thing for society, the environment, and the bottom line. The measurement of corporate social responsibility can be done using GRI G4 or GRI Standards (Ismail, Saleem, Zahra, Tufail, & Ali, 2021). In calculating the CSR score, we award "1" for the disclosed GRI indicators and "0" for the undisclosed ones. Then, we divide the total number of indicators by the total number of indicators that have been disclosed.

$$CSR = \frac{Number\ of\ CSR\ items\ disclosed\ by\ the\ company}{Total\ of\ all\ items} \qquad (3)$$

3.2.4. Control Variables

Leverage (LEV) and firm size (SIZE) serve as the control variables in this research. In their analysis of the relationship between corporate governance (CG), CSR, and financial performance (FP), Itan, Sylvia, Septiany, and Chen (2025) used these control variables. According to Gold, Taib, and Ma (2022), a company's size is determined by its total assets. More capital, more resources, and the ability to implement CSR and corporate governance regulations are all traits often associated with larger firms. In such a situation, the size of the firm might impact its performance (Drempetic, Klein, & Zwergel, 2020). According to Ahmadov, Durst, Gerstlberger, and Nguyen (2025), a solid surrogate for company size is the natural logarithm of total assets.

$$SIZE = LN\ (Total\ Assets) \qquad (4)$$

The degree to which a company relies on loans to finance its capital structure is known as leverage (Kucharska, 2020). According to Arhinful and Radmehr (2023), a company's operational strategies, investment choices, and readiness to satisfy stakeholder expectations can be influenced by its level of leverage. The Debt-to-Asset Ratio (DAR) is a helpful indicator of a company's leverage, according to Kling, Volz, Murinde, and Ayas (2021). Simply put, it's the sum of all debts divided by all assets.

$$LEV = \frac{Total\ Debt}{Total\ Assets} \qquad (5)$$

3.3. Model Specification

This study explores the relationship between CG, FP, and CSR in Indonesian family groups using a panel regression approach with mediating variables. The study used the three-stage regression methodology proposed by Baron and Kenny (1986) in Itan et al. (2024) and employed Eviews, SmartPLS, and SPSS. In addition, the bootstrapping method was used to test the significance of the indirect effect, which improved the mediation test

(Preacher & Hayes, 2004). The bootstrapping technique may yield confidence intervals for the mediation effect by repeatedly generating a large number of bootstrap samples. A substantial mediation effect is reported if the confidence interval does not contain the zero value (Tofighi, 2020). The regression equation of the study is as follows. Including company size and leverage in the empirical models mitigates omitted variable bias. The findings of the mediation process are examined in conjunction with total, indirect, and direct impacts. Preacher and Hayes (2004) first introduced the bootstrap indirect-effect test, whereas the basic rationale for mediation was presented by Baron and Kenny (1986).

$$FP = \alpha + \beta_1 CG + \beta_2 SIZE + \beta_3 LEV + \varepsilon \quad (6)$$

$$CSR = \alpha + \beta_1 CG + \beta_2 SIZE + \beta_3 LEV + \varepsilon \quad (7)$$

$$FP = \alpha + \beta_1 CG + \beta_2 CSR + \beta_3 SIZE + \beta_4 LEV + \varepsilon \quad (8)$$

4. DISCUSSION AND RESEARCH RESULTS

This part summarises the empirical data and explores the ramifications on the basis of the assumptions and theories stated. It comprises descriptive statistics, regression analysis, and the mediating influence of CSR. We then comment on the relationship of the findings to the literature.

4.1. Descriptive Statistics

All of the variables used in this study have descriptive statistics in Table 2. With a mean of 0.9806 and a standard deviation of 0.7141, the whole sample FP falls somewhere between 0.1058 and 4.4978. The fact that various companies may attain varying degrees of optimal performance demonstrates that firm performance is diverse.

Table 2. Descriptive statistics for all family companies.

Full Sample					
Variables	**Obs.**	**Min.**	**Max.**	**Mean**	**Std. dev.**
Firm Performance	431	0.1058	4.4978	0.9806	0.7141
Corporate Governance	431	0.6667	0.9091	0.7752	0.0513
Corporate Social Responsibility	431	0.2020	0.9487	0.6029	0.1523
Firm Size	431	0.1642	0.2486	0.2100	0.0141
Leverage	431	0.0180	0.4445	0.2015	0.0842

Table 3. Descriptive statistics for family CEO managed companies.

Family CEO					
Variables	**Obs.**	**Min.**	**Max.**	**Mean**	**Std. dev.**
Firm Performance	261	0.1058	4.4978	1.0343	0.7763
Corporate Governance	261	0.6667	0.9091	0.7766	0.0495
Corporate Social Responsibility	261	0.3235	0.9402	0.6494	0.1424
Firm Size	261	0.1921	0.2486	0.2174	0.0099
Leverage	261	0.0220	0.4445	0.2034	0.0897

Table 4. Descriptive statistics for non-family CEO managed companies.

Non-family CEO					
Variables	**Obs.**	**Min.**	**Max.**	**Mean**	**Std. dev.**
Firm Performance	170	0.1503	3.6679	0.8981	0.5993
Corporate Governance	170	0.6667	0.9091	0.7729	0.0539
Corporate Social Responsibility	170	0.2020	0.9487	0.5315	0.1393
Firm Size	170	0.1642	0.2263	0.1986	0.0118
Leverage	170	0.0180	0.3624	0.1985	0.0752

With an average score of 77.52%, the CG variable shows that most companies practice good corporate governance. Scores range from 66.67% to 90.91%. A company's degree of transparency in its CSR initiatives is one aspect that makes up corporate social responsibility (CSR). With a mean of 60.29% and a standard deviation of 15.23%, the variable can take on values ranging from 20.20% to 94.87%. Finally, when looking at Firm Size and Leverage, the sample reveals that firms have a somewhat low level of debt, with a mean of 0.2015 and a standard deviation of 0.0842.

Table 3 describes family firms controlled by close relatives. Table 4 shows how these enterprises compete with those run by outside specialists. The study indicates that relative-run family firms do better than their non-related competitors. Relatives running family companies have an average FP of 1.0343, while outside professionals running companies have a better FP, with a much lower average FP of 0.8981. This shows that there is some evidence that the efficiency of corporations may be improved if the managerial roles are occupied by family members. Family members tend to think more strategically, make choices with the wider picture in mind, and tend to keep the firm going from one generation to the next. It puts them ahead of the game in business.

The typical value of CG for professionally managed firms was 77.29%. The CG value is a little higher for family firms where the owners are related to each other, at 77.66%. It's a subtle distinction, but it seems both groups have taken a similar approach to bringing in corporate governance. The average of the CSR variable for professionally managed enterprises was 53.15%, while for family firms managed by members of the same family, it was 64.94%. Family enterprises are more transparent about their social responsibility programs, at least as far as we can discern.

The mean of the number of employees is 0.1986 for firms managed by professionals and 0.2174 for family firms. This means that firms managed by professionals have fewer employees on average. Typical companies led by experts had an average, the average leverage level of family enterprises managed by members was 0.2034, and the leverage level was 0.1985, which means that the two groups were pretty comparable. The descriptive data show that family enterprises owned by family members tend to have better average levels of corporate performance and CSR disclosure than family businesses managed by professionals, despite the fact that they have the same levels of leverage and use of corporate governance.

4.2. Hypothesis Testing

4.2.1. CG has a Significant Positive Impact on FP

Table 5 shows that there is a positive and statistically significant relationship between the corporate governance (CG) variable and firm performance (FP). The coefficient is 1.3988, with a t-statistic of 6.1884 and a p-value of 0.0000, indicating statistical significance at the 5% level. Therefore, H1 is supported: stronger corporate governance is associated with higher firm performance.

Similarly, our results agree with the results of Akhter and Hassan (2024), who demonstrated that FP is favorably affected by the proper implementation of CG ideas. The positive impact implies that more stringent CG procedures lead to better FP. Accountability, transparency, and monitoring mechanisms lead to decisions that better serve the interests of stakeholders. CG principles lead to more efficient operations, better risk management, and greater confidence for stakeholders and investors.

This conclusion is in accordance with Napitupulu et al. (2023), who observed that good CG practices promote FP. CG also helps to reduce agency conflicts through the implementation of stringent monitoring methods, as a bonus. This results in better use of resources and leads to higher operational efficiency.

CG applied consistently improves FP and creates a competitive advantage in dynamic marketplaces. According to Vural-Yavaş (2021), companies with good CG are more likely to survive market volatility, continue to expand, and operate efficiently. Therefore, firms that use CG are more competitive and better equipped to satisfy their stakeholders' needs.

Table 5. Regression results for the full sample.

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Step 1: CG → CSR				
C	0.5876	0.1819	3.2308	0.0014
CG	0.4651	0.0763	6.0955	0.0000
SIZE	-1.4347	0.8693	-1.6505	0.0998
LEV	-0.2185	0.0610	-3.5805	0.0004
R-squared	0.9246			
Adjusted R-squared	0.9038			
Step 2: CG → FP				
C	-1.4027	0.5388	-2.6034	0.0096
CG	1.3988	0.2260	6.1884	0.0000
SIZE	8.3387	2.5749	3.2384	0.0013
LEV	-2.2435	0.1808	-12.4115	0.0000
R-squared	0.9699			
Adjusted R-squared	0.9616			
Step 3: CG + CSR → FP				
C	-2.0570	0.4650	-4.4237	0.0000
CG	0.9604	0.2202	4.3613	0.0000
CSR	1.0840	0.1433	7.5631	0.0000
SIZE	9.8648	2.1654	4.5556	0.0000
LEV	-1.9480	0.1695	-11.4954	0.0000
R-squared	0.4551			
Adjusted R-squared	0.4499			

Table 6 presents the three-step regression results for family CEO-managed firms, covering the CG–CSR relationship, the direct CG–FP relationship, and the model including CSR as the mediating variable.

Table 6. Regression results for family CEO-managed firms.

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Step 1: CG → CSR				
C	-0.0126	0.2213	-0.0569	0.9546
CG	0.4404	0.0961	4.5811	0.0000
SIZE	1.6591	1.0039	1.6527	0.0996
LEV	-0.1764	0.0691	-2.5552	0.0112
R-squared	0.1441			
Adjusted R-squared	0.1341			
Step 2: CG → FP				
C	-2.1516	0.7417	-2.9007	0.0040
CG	1.0694	0.2921	3.6614	0.0003
SIZE	13.2243	3.3666	3.9280	0.0001
LEV	-2.3173	0.2133	-10.8628	0.0000
R-squared	0.4121			
Adjusted R-squared	0.4052			
Step 3: CG + CSR → FP				
C	-2.0586	0.7286	-2.8255	0.0052
CG	0.5068	0.2868	1.7672	0.0787
CSR	1.1231	0.1949	5.7615	0.0000
SIZE	11.0854	3.3409	3.3180	0.0011
LEV	-2.1644	0.2052	-10.5485	0.0000
R-squared	0.9786			
Adjusted R-squared	0.9725			

Table 7 presents the corresponding three-step regression results for non-family CEO-managed firms, allowing the mediation pattern to be compared across the two management types.

Table 7. Regression results for non-family CEO-managed firms.

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Step 1: CG → CSR				
C	0.7230	0.2151	3.3608	0.0010
CG	0.4948	0.1161	4.2628	0.0000
SIZE	-2.6574	1.0726	-2.4775	0.0142
LEV	-0.2045	0.1049	-1.9488	0.0530
R-squared	0.1344			
Adjusted R-squared	0.1188			
Step 2: CG → FP				
C	-1.3513	0.6786	-1.9914	0.0481
CG	1.9625	0.3452	5.6847	0.0000
SIZE	5.8015	3.3893	1.7117	0.0888
LEV	-1.9086	0.3161	-6.0376	0.0000
R-squared	0.3619			
Adjusted R-squared	0.3504			
Step 3: CG + CSR → FP				
C	-2.0150	0.6859	-2.9377	0.0038
CG	1.5428	0.3533	4.3672	0.0000
CSR	0.8313	0.2320	3.5831	0.0004
SIZE	8.3405	3.3708	2.4744	0.0144
LEV	-1.7210	0.3104	-5.5447	0.0000
R-squared	0.4102			
Adjusted R-squared	0.3959			

4.2.2. CSR Mediates the Relationship between CG and FP

The Baron and Kenny (1986) regression method (as described by Itan et al. (2024)) in light of the results of the second hypothesis test. These three approaches allow for the quantification of the mediation effect. It all started with investigating the connections between CG and CSR. According to the overall findings, CG had a favorable and statistically significant impact on CSR: Standard error = 0.0763; probability = 0.0000; CG coefficient = 0.4651; t-statistic = 6.0955. Corporate social responsibility (CSR) appears to be positively correlated with both good corporate governance and corporate transparency. Similarly, Fiandrino et al. (2019) contended that stakeholders' views of companies could improve if rules governing corporate governance effectively prompted businesses to do more good in the world.

Step two involved excluding CSR from the model to estimate the unmediated relationship between CG and FP. According to the test parameters, Corporate Governance (CG) has a positive and statistically significant effect on FP (t-statistic = 6.1884, probability = 0.0000, standard error = 0.2260, coefficient = 1.3988, etc.). There is an obvious and direct relationship between good corporate governance and the operational and financial performance of the firm. Peng (2024) found a positive association between CG, FP, and innovation in publicly listed enterprises in China. This is because publicly listed businesses with solid governance tend to be more creative, have lower agency costs, and find it simpler to raise capital from outside sources. As a result, publicly traded Chinese companies will be better able to compete and thrive in the long run.

In the third step, CSR was included as a mediating variable in the model. Positivity and statistical significance are shown by a t-statistic of 7.5631, a coefficient of 1.0840, a standard error of 0.1433, and a probability of 0.0000, all of which contribute to FP. Stage 3's direct CG-FP coefficient was 0.9604, down from 1.3988 in Stage 2, although it was still statistically significant (p = 0.0000). When CSR is present, the CG coefficient drops significantly, suggesting that CSR acts as a mediator between CG and FP. CG has an indirect impact on FP through its increased CSR efforts.

The mediation test of the Baron and Kenny (1986) approach was validated using a bootstrapping test, as shown in Table 8. Based on the bootstrap results, the indirect effect of CG on FP via CSR is 0.054, with a t-statistic of 2.933 and a probability of 0.004. The indirect impact is deemed statistically significant if the probability value is less than 0.05. There is a statistically significant direct effect of CG on FP (p=0.000 and 0.211). CSR influences the CG-FP connection through substantial direct and indirect effects. These results are consistent with the Baron and Kenny (1986) method and suggest a strong mediating effect.

Table 8 also includes the 95% bias-corrected bootstrapped confidence range for the indirect impact. The lower limit of the confidence interval (LLCI) is 0.020, and the upper limit (ULCI) is 0.095. Since the confidence interval does not include zero, the indirect impact is statistically significant at the 95% confidence level. Good corporate governance is being linked to CSR-driven financial success for organizations, and the findings add to that growing body of data. The bootstrapping study's results corroborate the mediation findings as well.

Corporate social responsibility (CSR) may reduce the strength of the link between CG and FP, according to studies conducted on family-run businesses (Xu et al., 2022). In stage 3, the CG coefficient drops from 1.0694 in stage 2, indicating that CSR mediates the link between CG and FP to a lesser extent. With a probability value of 0.0000, the CSR coefficient is 1.1231. This means that CSR mediates some of the positive impact that CG might still have on FP.

Furthermore, CSR may play a role in the connection between CG and FP in professional family business literature. After getting down to 1.5428 in stage two, the CG coefficient dropped to 1.9625 in stage three after CSR was included in the model. That is the main idea. In addition, CSR significantly improves FP (p = 0.0004), with a coefficient of 0.8313. It is remarkable to see how the relative magnitude of the CG coefficient decline differs between family businesses run by relatives and those managed by outside experts. According to these results, CSR has a more important mediating role in family businesses when all owners are connected.

According to the findings, CSR has a significant role in enhancing the bond between CG and FP. Economically as well as statistically, the results are substantial. The fact that the various variables are measured on different scales contributes to the CG coefficient appearing to be so large. The CG index has a far more limited range than Tobin's Q, ranging from 0.67 to 0.91. That is why it is possible for small changes in corporate governance to significantly affect profits. Not only are the results statistically significant, but they also show that family businesses may benefit from CSR and better corporate governance in terms of increasing their value and longevity.

Table 8. Bootstrapped indirect-effect test.

Relationship	Direct Effect	Indirect Effect	t-Statistic	p-value	LLCI (95%)	ULCI (95%)
CG→FP	0.211	-	-	0.000	-	-
CG→CSR	0.166	-	-	0.001	-	-
CSR→FP	0.297	-	-	0.000	-	-
CG→CSR→FP	-	0.054	2.933	0.004	0.020	0.095

Note: LLCI = Lower Limit of the 95% Bias-Corrected Confidence Interval; ULCI = Upper Limit of the 95% Bias-Corrected Confidence Interval.

4.2.3. Family Businesses Led by Family CEOs Achieve Higher FP than Family Businesses Managed by Non-Family CEOs

According to the study's findings, which are presented in Tables 9 and 10, family CEOs tend to have more success than non-family CEOs. A t-test plus Levene's test was used to conduct the test. Table 9 shows that Levene's Test yielded a result of 0.078, which is greater than the 0.05 significance level. This case lends itself well to the assumption of equal variances. Significantly different business performance was seen between the two groups, as shown by a p-value of 0.001 for the independent samples t-test.

Table 10 shows that family CEO-led organizations have an average value of 1.0343 for firm performance, compared to 0.8981 for non-family CEO-led enterprises. Having a chief executive officer who is born into the family company in Indonesia has a greater chance of succeeding in the market, according to hypothesis 3, and the findings support this claim.

Family businesses that have a chief executive officer often do better because there is a natural balance between controlling the company, focusing on the future, and satisfying shareholders. Detailed statistics show that family-run businesses are more forthcoming about their corporate social responsibility (CSR) efforts. To best articulate the beneficial impact of family directors on performance, a company's CSR initiatives may be the best answer.

According to the research, stakeholder-focused behaviors and commitment may rise when families participate in sustainability initiatives. Both Xu et al. (2022) and Rehman and Hamdan (2023) agree on this point. It is in the best interest of future generations for family CEOs to maintain the company's good name, social connections, and heritage, as stated in the socioemotional wealth hypothesis. These intangible incentives will help CSR initiatives gain traction, which might lead to an increase in the value of the firm.

Family company CEOs tend to be more successful than non-family CEOs, which supports H3. The findings also show that CSR improves the governance–performance mechanism in family enterprises, enabling family values to be transformed into trust, reputation, and long-term company continuity for stakeholders.

Table 9. Independent-samples t-test.

	Levene's Test for Equality of Variances	t-test for Equality of Means
Firm Performance	0.078	0.001

Table 10. Performance mean of family CEO and non-family CEO managed companies.

	Mean
Firm Performance	
Family CEO Managed Companies	1.0343
Non-Family CEO Managed Companies	0.8981

4.3. Robustness Analysis

For example, two previous FP studies that used various criteria to evaluate the financial health of organizations were (Gupta et al., 2020; Li, Fu, Han, & Liang, 2023). Following the recommendation of Singh, Tabassum, Darwish, and Batsakis (2018), this study uses a modified version of Tobin's Q to enhance the precision of performance evaluation. To find the book value of total assets, we take the market value of the company and subtract it from its total assets. Then, we divide this number by the sum of the book value of debt and market value of equity.

Table 11 supports our hypotheses: family firms with professional CEOs had a lower average FP (1.2191) compared to family firms with family CEOs (average FP of 1.4415). It says companies owned by family members tend to perform better financially.

Table 11. Alternative test - performance mean of family CEO and non-family CEO managed companies.

	Mean
Firm Performance	
Family CEO Managed Companies	1.4415
Non-Family CEO Managed Companies	1.2191

Table 12. Alternative regression results.

Full Sample			Family CEO			Non-Family CEO		
Variables	Coef.	Prob.	Variables	Coef.	Prob.	Variables	Coef.	Prob.
Step 1 (CG>>CSR)			Step 1 (CG>>CSR)			Step 1 (CG>>CSR)		
C	(0.2174)	0.0092	C	(0.2344)	0.0439	C	(0.2174)	0.0323
CG	1.0584	0.0000	CG	1.1267	0.0000	CG	0.9859	0.0000
Step 2 (CG>>FP)			Step 2 (CG>>FP)			Step 2 (CG>>FP)		
C	(2.3914)	0.0000	C	(2.4594)	0.0001	C	(2.4089)	0.0000
CG	4.8200	0.0000	CG	5.0251	0.0000	CG	4.6589	0.0000
Step 3 (CG>>CSR>>FP)			Step 3 (CG>>CSR>>FP)			Step 3 (CG>>CSR>>FP)		
C	(1.9898)	0.0000	C	(1.9567)	0.0014	C	(2.3476)	0.0000
CSR	1.1304	0.0005	CSR	1.3767	0.0010	CSR	0.7407	0.0259

Table 12 presents the positive and statistically significant CG coefficients obtained in Step 2 for all sample groups, including family and non-family CEOs. This is in accordance with Hypothesis 2. These findings for all types of family businesses reinforce the fundamental idea that good governance is favorably related to firm success.

In addition, a positive relationship between CG and CSR is found in Step 1, as also shown in Table 12, and a positive relationship is maintained between CSR and FP in Step 3. These additional data confirm the primary mediation results shown in Tables 5–8. The complete models, with the direct CG coefficient after including CSR, are the key mediating results, and the robustness test further confirms that CSR is an important mechanism by which corporate governance influences business performance.

5. CONCLUSION

This study finds that stronger corporate governance is associated with higher firm performance in Indonesian family firms. CSR significantly mediates the relationship between corporate governance and firm performance, indicating that part of the governance effect operates through CSR. The results also show that family CEO-led firms have higher average firm performance than non-family CEO-led firms. These findings highlight the importance of integrating effective governance practices with CSR initiatives to enhance firm value in family businesses.

As a result of increased openness, fewer agency conflicts, and encouragement of enterprises to engage in CSR activities, good governance procedures may boost corporate performance. Research like this lends credence to theories like agency, socioemotional wealth, and stakeholder theory. This study adds to what is already known about family businesses by illuminating the ways in which traits of corporate leadership impact the effectiveness of CSR initiatives in creating value.

The results should be of interest to Indonesian legislators and boards of directors of family firms. Greater transparency, accountability, and disclosure of CSR and sustainability initiatives may help regulators and capital market authorities promote better corporate governance procedures. Family business boards of commissioners and management should also create sustainability committees, increase monitoring of CSR programs, and develop performance metrics that link CSR achievements to management evaluations as a means to integrate corporate social responsibility (CSR) strategies with business goals. Therefore, CSR initiatives allow businesses to comply with legislation but are also part of the overall plan to deepen stakeholder relationships, improve reputation, and produce long-term value.

There are supplementary elements, such as corporate governance (CG), corporate social responsibility (CSR), and firm performance (FP), but family firms listed on the Indonesia Stock Exchange from 2021 to 2025 are the main research variables in this study. Future research should employ bigger samples, more extensive observation periods, and extra variables, such as the qualities of the board of directors, the ownership structure, the quality of the audit, and the institutional environmental factors influencing the performance of family businesses.

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