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ORIGINAL PAPER

Can Common Institutional Ownership Govern CSR Decoupling? Evidence from China

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Abstract

Although corporate social responsibility (CSR) decoupling has become a widely criticized management practice, research on how to govern this phenomenon from the investor level is still lacking. With the increasing prevalence of common institutional ownership, this paper aims to fill the gap in the existing literature by exploring whether common institutional investor can effectively curb the unethical behavior of CSR decoupling. Using data from listed firms in China from 2009 to 2022, we find that common institutional ownership reduces CSR decoupling and plays a coordinated governance role. Our main conclusion holds after considering a series of robustness checks. Moreover, this role is more pronounced for non-state-owned enterprises, CSR-intensive firms, and regions with a less efficient legal environment. Channel tests suggest that common owners govern CSR decoupling by delegating executives, threatening to exit, and reducing controlling shareholders' self-interest. Further analysis suggests that common owners with greater market power and long-term investment horizons can govern CSR decoupling more effectively. Overall, our research offers new insights into the field of finance and ethics by highlighting the potential impact of common ownership on corporate ethical behavior.

Keywords CSR decoupling · Common institutional ownership · Agency theory · Corporate governance

Introduction

Under stakeholder pressure, firms disclose corporate social responsibility (CSR) reports to enhance legitimacy and meet stakeholder expectations (Fernandez-Feijoo et al., 2014; Hannah et al., 2020; Perez-Batres et al., 2012; Ren et al., 2023). However, in practice, firms may mislead stakeholders by distorting or exaggerating their actual CSR performance through CSR reporting (Cho et al., 2015; García-Sánchez et al., 2021). This symbolic behavior implies a gap between a firm's CSR disclosure and its actual CSR performance, which is known as the CSR gap or decoupling (Bothello et al., 2023; Gull et al., 2023b; Tashman et al., 2019). Existing literature has widely used CSR decoupling to conceptualize the divergence between CSR communication (such as CSR reports) and CSR practices (such as CSR performance ratings) (Crilly et al., 2012, 2016; Gull et al., 2023b; Luo et al., 2017). Managers often choose this unethical business practice for short-term profit-seeking or opportunistic reasons, but it implies potentially negative effects that are not conducive to realizing profitable growth in the long run (Hawn & Ioannou, 2016; He et al., 2023).

Academic discussions in the field of finance have recognized the important role of institutional investors in shaping CSR performance. Research in this area emphasizes that institutional shareholders aim to leverage CSR for profit or risk avoidance, thereby driving CSR performance (Chen et al., 2020; Dyck et al., 2019; Kim et al., 2019). In fact, the limited number of investable firms has made it increasingly common for institutional investors to hold shares in multiple firms within the same industry (common owners) (Edmans et al., 2019). Since 2016, the proportion of Chinese listed

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firms with common institutional ownership (CIO) has risen steadily, exceeding 20% by 2020. The rise of CIO strengthens the connections between firms in the same industry (Kini et al., 2024), which may have significant industry-wide normative effects on corporate ethical behavior. Although a few current studies provide controversial views on the relationship between CIO and CSR (Cheng et al., 2022; Fu et al., 2022; Qiang et al., 2024), how CIO affects CSR decoupling still deserves more attention.

The literature emphasizes that CSR decoupling may be used by managers as an impression management tool to mislead shareholder perceptions (Cho et al., 2015; Long et al., 2024). More importantly, negative news resulting from decoupling is more likely to spread broadly among common owners and more rapidly translate into corresponding gains or losses for their investment portfolios (Beatty et al., 2013). As a result, institutional investors are increasingly incorporating CSR indicators into their risk assessments and investment decisions (Nofsinger et al., 2019; Petersen & Vredenburg, 2009). Given this close connection, this paper aims to fill a gap in the literature by exploring how CIO influences the emerging unethical practice of CSR decoupling.

We propose two competing hypotheses to explore whether and how CSR decoupling is affected by CIO. We believe that common owners exert a "coordinated governance" or "collusive fraud" effect among industry peer firms, thereby influencing corporate unethical decision-making, particularly with regard to CSR commitments and practices. Common owners aim to maximize the value of their portfolio firms, which are not independent but rather influence each other (Koch et al., 2021). On the one hand, since CSR decoupling behaviors generate negative externalities among firms within the same industry (DesJardine et al., 2023), common owners are motivated to coordinate governance and supervision across industry firms to ensure stable returns, thereby reducing managers' incentives to engage in decoupling behavior (the "coordinated governance hypothesis"). On the other hand, common owners may induce collusive tendencies among industry peer firms to maximize the value of their portfolio (Kini et al., 2024), thereby encouraging managers to exaggerate CSR disclosures without undertaking costly substantive CSR actions (the "collusive fraud hypothesis").

To elucidate the applicability of the above two hypotheses, we test the association between CIO and CSR decoupling based on data from listed firms in China from 2009 to 2022. It should be noted that, unlike the developed foreign capital markets, this study is conducted within the Chinese capital market. First, the Chinese capital market suffers from more serious information asymmetry. Existing formal institutional arrangements such as laws and regulations, internal control systems, or board supervision have limited effectiveness in monitoring managers and blockholders (Yoshikawa et al., 2014). In contrast, as a special informal institutional arrangement, whether the CIO can make up for the inadequacy of formal institutions and how to play its role still need to be explored. Second, existing studies have mainly focused on the role of CIO in developed capital markets on corporate behavioral decisions (such as M&A and CSR) (Brooks et al., 2018; Cheng et al., 2022; Goranova et al., 2010), less explored in emerging capital markets. Third, the lack of a robust CSR disclosure system in China gives firms significant discretion, which strongly incentivizes decoupling behavior (Marquis & Qian, 2014). Therefore, China provides a suitable research context to explore our topic.

Our results show that CIO significantly reduces CSR decoupling, supporting the coordinated governance hypothesis. Moreover, this effect is more pronounced in non-state-owned enterprises, CSR-intensive firms, and regions with inefficient legal environments. Mechanism tests indicate that delegating executives, threatening to exit, and reducing controlling shareholders' self-interest are important channels for common owners to govern CSR decoupling. Further analysis finds that common institutional investors with greater market power or long-term horizons are more effective in governing CSR decoupling.

This study contributes to the existing literature in several ways. First, we enrich the literature on the impact of common ownership on corporate governance from a business ethics perspective. There has long been controversy over the influence of common owners on corporate management. Some scholars recognize the importance of the industry spillover of CIO in constraining value-destroying behaviors by managers and improving corporate governance (Edmans et al., 2019; Kang et al., 2018). For example, studies suggest that this governance role can curb earnings management (Ramalingegowda et al., 2021), mitigate tax avoidance (Athira & Lukose, 2023), and constrain related party transactions (Zhang et al., 2024). Other scholars argue that common owners may be motivated to collude with managers, and the resulting anti-competitive effects could lead to complacency or short-sighted management styles of executives (Azar et al., 2018; Cheng et al., 2022; Kini et al., 2024). We contribute to the evolving debate on common ownership by revealing that it shapes corporate moral stance from a business ethics perspective.

Second, our research contributes to the governance of business unethical behavior. Our analysis suggests that the egoistic motive of common owners can generate additional moral outcomes, providing new insights into how to govern unethical business practices. Most studies have examined the antecedents of CSR decoupling regarding external pressures and management characteristics (Eliwa et al., 2023; Gull et al., 2023a, 2023b; Long et al., 2024). However, it is still not fully understood whether and how common shareholders in the financial sector reshape corporate unethical practices, and further exploration is needed to clarify their

role. We argue that the emergence of common owners, with the advantage of industry peer norms, transcends the limitations of single-shareholder influence on corporate behavior and becomes an important force in monitoring whether a firm adheres to ethical standards and meets social expectations. Our research links investors' egoistic motive with ethical considerations to improve the understanding of how financial institutions affect moral behaviors.

Finally, this study combines China's unique capital market to enrich the research on common institutional ownership and corporate ethical behavior from the perspective of informal institutions. The existing research conclusions on CIO are mainly based on the developed capital market. Our finding provides an explanation that fits the Chinese context and finds that the CIO is an effective informal governance prevention mechanism for corporate unethical behavior, especially to compensate for the shortcomings of China's formal institutions. Our study highlights that common ownership, as an ethics constraint tool rooted in market logic, has amplified governance effects on CSR decoupling in non-state-owned enterprises, CSR-intensive firms, and inefficient legal environments. This deepens our understanding of how financial institutions shape ethical norms in emerging markets.

The remainder of this paper is organized as follows. In the next section, we present the theoretical analysis and our hypotheses. Then, we discuss our empirical methodology and present results in the succeeding section. In the final section of the paper, we discuss the results and conclusions.

Theoretical Analysis and Hypotheses Development

Agency theory suggests that, due to information asymmetry, corporate managers or controlling shareholders may exploit their power advantages to pursue self-interest and engage in opportunistic behavior (Eisenhardt, 1989; Jensen & Meckling, 1976), thereby increasing the agency costs (Laverty, 1996; Smulowitz et al., 2023). Existing literature suggests that CSR decoupling is a short-sighted behavior of managers for self-interested considerations (Shahab et al., 2022) and may raise agency problems (Gull et al., 2023b; Sauerwald & Su, 2019). The presence of common ownership may influence CSR decoupling by affecting corporate agency problems. On the one hand, common owners may help mitigate the Type I agency conflict between managers and shareholders (Chang et al., 2016; He et al., 2019). Specifically, to avoid industry-wide negative externalities, common owners may utilize their voice and exit rights to supervise and govern managerial opportunism, thereby reducing the likelihood of firms engaging in CSR decoupling. On the other hand, common owners may exacerbate the Type II agency conflict between controlling shareholders and minority shareholders. They may collude with controlling shareholders or managers to encroach the interests of minority shareholders (Kini et al., 2024), for instance, by manipulating CSR disclosures to conceal poor CSR performance.

The existence of divergent interests of principals and agents is a cornerstone of agency theory (Kochhar, 1996). Since the principal cannot have complete information about the agent's actions, the agent may choose symbolic CSR disclosure. This not only hides their self-interested behavior and low level of effort, but also enables managers to secure short-term gains more rapidly (Marquis & Qian, 2014). The coordinated governance hypothesis proposed in this paper argues that common owners may be an effective mechanism to govern CSR decoupling and thus mitigate the Type I agency conflict.

When firms disclose false CSR information, it has spillover effects within the industry and distorts the CSR decisions of other firms (Beatty et al., 2013; DesJardine et al., 2023). Lel et al. (2023) find that misconduct of portfolio firms with common owners can have spillover effects through value losses. As CSR decoupling behavior may damage the reputation of peer firms and attract stricter peer monitoring, it can create systemic risk for common owners and reduce the value of portfolios (DesJardine et al., 2023). When managers of portfolio firms manipulate information to engage in hypocritical practices, such as CSR decoupling, common owners have strong incentives to monitor managers and mitigate such opportunistic behavior. This effort aims to prevent other firms within their holdings from imitating such practices.

Specifically, common owners can improve the internal and external governance environment of portfolio firms with their information advantage and governance experience (Edmans et al., 2019; Kang et al., 2018; Ramalingegowda et al., 2021), thereby inhibiting CSR decoupling behavior. In terms of internal governance, common owners exert substantial influence on the business decisions of managers through their voice (Koch et al., 2021). For instance, they can prevent firms from engaging in unethical behavior by appointing executives who represent their interests (Edmans et al., 2019; He et al., 2019). In other words, they utilize interactions with managers to enhance their awareness and supervision of managerial actions, thereby intervening in corporate moral decisions.

In terms of external governance, CSR decoupling itself is an opportunistic form of information manipulation, where firms selectively disclose CSR information to mislead investors (Bothello et al., 2023; Eliwa et al., 2023; Sauerwald & Su, 2019). As an important connectedness, common ownership provides a channel to reduce regulatory information costs among peer firms (Park et al., 2019; Ramalingegowda et al., 2021; Yao et al., 2023). This facilitates institutional investors' collection of CSR disclosure information and increases the likelihood of detecting managerial

opportunistic behavior (Kang et al., 2018), thereby reducing managers' motivation to engage in decoupling. In addition, common owners can also curb manager's self-interested tendencies through the threat of exit (Hope et al., 2017). Since common owners hold a substantial amount of stocks in their portfolios, the exit threat manifests as a sharp sell-off of shares in the trading market (Dou et al., 2018). Whether unethical business behavior will occur usually depends on the managers' weighing of the potential costs and returns of the behavior (Long et al., 2024), and the exit threat posed by common owners generally means greater potential loss costs. Such price pressure can force managers to avoid unethical decisions that negatively affect firm values (Ben-Rephael et al., 2011; Hope et al., 2017), such as decoupling practices.

Based on the above analysis, we propose the following hypothesis:

Hypothesis 1a *Common institutional ownership is negatively associated with CSR decoupling*.

Common institutional investors driven by profit maximization of portfolio firms may collude with managers or controlling shareholders to increase CSR decoupling behaviors. This collusive fraud effect ignores the interests of minority shareholders and exacerbates the Type II agency problem. In other words, common ownership creates conditions for collusive fraud and information barriers (Kini et al., 2024; Koch et al., 2021), which may motivate managers to pursue immediate interests at the expense of sustainable and ethical practices.

Common owners, in alliance with the blockholders, are more likely to manipulate information and whitewash the CSR performance to maximize the short-term value of portfolio firms. Substantive CSR behavior involves high-cost investment, while CSR decoupling is relatively low cost (MacLean & Behnam, 2010), which is a "rational" choice for managers to meet the financial expectations of common owners within the constraints of a collusive contract. Given the lack of a strong regulatory system and standardized reporting framework for CSR disclosure in China (Marquis & Qian, 2014), CSR decoupling serves as a strategic tool to maximize the benefits of group collusion. In addition, given that substantial CSR investments may create profit opportunities for non-commonly held firms, common owners are more likely to form interest alliances and encourage portfolio firms to engage in CSR decoupling, thereby mitigating competitive pressures from non-commonly held firms. This shows that common owners have strong incentives to implement monopolistic practices to gain collusive benefits, thereby reducing competition within the industry (He & Huang, 2017; Kini et al., 2024). From another perspective, as market competition weakens, firms reduce their reliance on substantive CSR performance to enhance market competitiveness (Cheng et al., 2022). Additionally, the reduced competition lowers the benefits of CSR for firms (Flammer, 2015), prompting managers to favor less costly decoupling behaviors to cultivate a superficial CSR image.

The Type II agency problem is more serious in China's capital market, in which blockholders encroach on minority shareholders. Compared to other shareholders (especially minority shareholders), common owners have information advantages, which may be an important bargaining chip for them to build information barriers (Park et al., 2019). To maintain the information advantage and gain excess returns, common owners may be motivated to collude with managers to manipulate CSR disclosures in a fraudulent manner to boost stock prices. The implicit shelter provided by common owners for executives' decoupling behavior will interfere with the trading strategies of other shareholders, thus exacerbating the Type II agency problem in capital markets. In this context, CSR gradually deviates from its original purpose as a commitment to fulfill social responsibility, and instead becomes a symbolic tool for firms to demonstrate and gain reputation externally (Bothello et al., 2023). In other words, the alignment of interests (profit maximization) between managers and common owners leads to a tendency to use CSR as a packaging strategy by exaggerating CSR results rather than actually fulfilling the related social responsibility obligations (Tata & Prasad, 2015).

Based on the above analysis, we propose the following hypothesis:

Hypothesis 1b *Common institutional ownership is positively associated with CSR decoupling*.

Methodology

Data and Sample

Our initial sample consists of Chinese A-share listed firms from 2009 to 2022. The original data for constructing the CSR disclosure index required for decoupling are sourced from the CSR reports of listed firms in China (Liao et al., 2023). The CSR performance scores come from Sino-Securities ESG ratings (Long et al., 2024; Zhou et al., 2024). Other financial data are obtained from the CSMAR database. To ensure data accuracy, we exclude samples from the finance and insurance industries, firms under "special treatment" (ST), firms with a leverage ratio greater than or equal to 1, and samples with missing variable values. To exclude the influence of extreme values, all continuous variables are winsorized at 1%. We end up with a total of 25667 firm-year observations.

Model and Variables

Common Institutional Ownership

Common institutional investors refer to institutional investors that simultaneously hold no less than 5% of the shares in at least two firms in a certain industry (Cheng et al., 2022). We use the 2012 classification standards of the China Securities Regulatory Commission. Common institutional ownership is measured using three proxies: (1) a dummy variable of whether there is common institutional ownership (*CIO_if*); (2) number of common owners owned by the firm (*CIO_num*); and (3) number of shares held by common institutional investors (*CIO_share*). We calculate the annual indicator by taking the average of the corresponding quarterly indicators.

CSR Decoupling

Existing research defines CSR decoupling as the misalignment between a firm's CSR reporting and its CSR performance (Bothello et al., 2023; Gull et al., 2023b; Tashman et al., 2019). We refer to Gull et al. (2023b)'s research and use the gap between CSR disclosure and performance to measure CSR decoupling. We use a content analysis-based measure for CSR disclosure and generate a disclosure index.[1] Specifically, the basic information sheet of CSR reports in the CSMAR database provides the CSR disclosure information in various aspects,[2] which is widely used in research on CSR disclosures (Yuan et al., 2022; Zhou et al., 2024). These data are analyzed based on the specific content disclosed in CSR reports, with each aspect assigned a binary value of "disclosed" or "not disclosed" (1 for disclosed, 0 for not disclosed), allowing for a clear distinction from CSR performance. In this study, the CSR disclosure scores across nine dimensions are summed to obtain a comprehensive CSR disclosure index ranging from 0 to 9 (Yuan et al., 2022).

Following the existing literature (Long et al., 2024; Zhou et al., 2024), we adopt the ESG performance ratings of Sino-Securities to characterize the CSR performance.[3] Many scholars have widely used it to measure the CSR performance of Chinese listed firms (Chen & Chu, 2024; Li et al., 2024; Lin et al., 2023). Based on the nine levels of this index,[4] we score the actual CSR performance from 1 to 9. Further, we refer to existing studies to measure CSR decoupling using the gap between standardized CSR disclosure and performance (Gull et al., 2023a, 2023b). Since misalignment can occur in both directions, the values of CSR decoupling can also be negative (Hawn & Ioannou, 2016). The larger the CSR gap, the greater the inconsistency between a firm's CSR disclosures and its actual performance, indicating a higher level of CSR decoupling.

Control Variables

We control for a set of firm-level covariates based on the CSR decoupling literature (Eliwa et al., 2023; Gull et al., 2023b, 2023c): firm size (*Size*), leverage (*Lev*), return on assets (*ROA*), cash flow (*Cashflow*), realized revenue growth rate (*Growth*), fixed asset ratio (*PPE*), age of the firm (*FirmAge*), ownership of the largest shareholder (*TOP1*), board size (*Board*), percentage of independent directors (*Indep*), and CEO duality (*Duality*). All variables are defined in Appendix Table S1.

Empirical Model

To test whether the CIO affects CSR decoupling, we estimate the following panel fixed-effect model:

$$CSRD_{it} = \alpha + \beta_1 CIO_{it} + \beta_2 \sum Controls_{it} + Firm_i + Year_t + Industry_j + \varepsilon_{it} \quad (1)$$

where i, t, and j refer to firm, year, and industry, respectively. CIO_{it} represents different proxies for common institutional ownership, that is, *CIO_if*, *CIO_num* and *CIO_share*. $CSRD_{it}$ is the dependent variable CSR decoupling. $Controls_{it}$ denotes a set of exogenous variables that influence decoupling. We control for firm, year and industry fixed effects and use robust standard errors in the regression.

Results

Descriptive Statistics and Baseline Results

Descriptive statistics for all variables are reported in Table 1. The mean of *CSRD* is -0.152, indicating a certain gap between CSR disclosure and performance. This is consistent

[1] We would like to thank the reviewer for this suggestion.

[2] This study selects the following nine aspects: whether shareholder rights protection is disclosed; whether creditor rights protection is disclosed; whether employee rights protection is disclosed; whether supplier rights protection is disclosed; whether customer and consumer rights protection is disclosed; whether environmental and sustainable development is disclosed; whether public relations and social welfare undertakings are disclosed; whether the construction and improvement of social responsibility systems are disclosed; whether safety production content is disclosed.

[3] We did not refer to Gull et al. (2023b) to obtain CSR performance scores from Asset4 DataStream, because the data of Chinese listed firms recorded in it were largely omitted and frequently adjusted.

[4] The nine levels are C, CC, CCC, B, BB, BBB, A, AA, and AAA, with AAA representing the best CSR performance and C representing the worst CSR performance.

Table 1 Descriptive statistics

Variable	N	Mean	S.D	Min	p50	Max
CSRD	25667	− 0.152	1.211	− 4.322	− 0.099	4.408
CIO_if	25667	0.113	0.316	0.000	0.000	1.000
CIO_num	25667	0.080	0.226	0.000	0.000	1.386
CIO_share	25667	2.180	6.138	0.000	0.000	22.076
Size	25667	22.390	1.332	19.671	22.199	26.218
Lev	25667	0.417	0.202	0.050	0.412	0.940
ROA	25667	0.056	0.059	− 0.238	0.051	0.232
Cashflow	25667	0.053	0.071	− 0.176	0.052	0.249
Growth	25667	0.206	0.404	− 0.569	0.136	2.735
PPE	25667	0.212	0.159	0.002	0.178	0.695
PBR	25667	3.742	3.090	0.562	2.854	22.843
FirmAge	25667	2.775	0.384	1.609	2.833	3.497
Analyst	25667	1.779	1.105	0.000	1.792	3.829
TOP1	25667	0.353	0.151	0.085	0.335	0.746
Board	25667	2.140	0.198	1.609	2.197	2.708
Indep	25667	0.374	0.053	0.333	0.333	0.571
Duality	25667	0.290	0.454	0.000	0.000	1.000

This table reports summary statistics for core variables in our empirical tests. All relevant variables are defined in Appendix A

with the CSR decoupling characteristics observed in the study of Gull et al. (2023b). Based on the mean of *CIO_if*, about 11.3% of the sample has common owners during the sample period. The maximum value of *CIO_num* is 1.386, indicating that a firm has up to 3 common institutional investors. The standard deviation of *CIO_share* is 6.138, indicating that the number of shares held by common owners varies greatly among listed firms in the Chinese capital market. The descriptive statistics for the other variables are consistent with the relevant literature (Eliwa et al., 2023; Gull et al., 2023b, 2023c). To avoid multicollinearity, we estimate regression models separately for the presence of common ownership, the number of common owners, and the common shareholding size. We find that the mean and maximum of variance inflation factors are both below the threshold of 10, indicating that multicollinearity does not pose a serious issue in interpreting our results.

Table 2 provides baseline regression results. Models 1–3 are the regression results considering industry and year fixed effects. The results show that the impact coefficients for *CIO_if*, *CIO_num*, and *CIO_share* are -0.102, -0.145, and -0.006, respectively, and all are significantly negative at 1% level. Models 4–6 are regression results considering firm, industry and year fixed effects. The results show that the impact coefficients for *CIO_if*, *CIO_num,* and *CIO_share* are -0.141, -0.207, and -0.008, respectively, and all are significantly negative at 1% level. It can be seen that the regression coefficients of core explanatory variables all increase after the inclusion of firm fixed effect, and the adj.R^2 of the models significantly increases, indicating that the inclusion of firm fixed effect is reasonable. These results indicate that common institutional ownership significantly reduces CSR decoupling, which is consistent with Hypothesis 1a. The coefficients of the control variables are generally consistent with the results of the previous studies (Eliwa et al., 2023; Gull et al., 2023a). For example, the coefficient of *ROA* is significantly negative, indicating that improved performance can alleviate short-term financial pressure, thereby reducing the likelihood of decoupling behavior for short-term interests. The coefficient of *Growth* is significantly positive, suggesting that higher realized growth may well increase subsequent symbolic CSR and hence decoupling.[5] The coefficient of *Analyst* is significantly negative, indicating that analyst monitoring as an effective governance mechanism inhibits CSR decoupling.

Robustness Checks

Alternative Measures of CSR Decoupling

Referring to the research of Gull et al. (2023b), we provide more alternative measures of CSR decoupling. Since the gap between CSR disclosure and performance can occur in

[5] It is important to emphasize that this study interprets revenue increase from the previous to the current year as realized growth, not expected future growth. Realized revenue growth is positively correlated with decoupling, indicating that current business success makes managers less accountable to certain instrumental stakeholders. Expected future growth may discourage decoupling because of the pivotal role other instrumental stakeholders play in realizing those growth expectations (Hannah et al., 2020).

Table 2 The relationship between common institutional ownership and CSR decoupling

Variables	Model 1 *CSRD*	Model 2 *CSRD*	Model 3 *CSRD*	Model 4 *CSRD*	Model 5 *CSRD*	Model 6 *CSRD*
CIO_if	− 0.102***			− 0.141***		
	(− 4.550)			(− 4.534)		
CIO_num		− 0.145***			− 0.207***	
		(− 4.597)			(− 4.740)	
CIO_share			− 0.006***			− 0.008***
			(− 4.889)			(− 4.806)
Size	0.086***	0.086***	0.087***	0.118***	0.118***	0.118***
	(9.265)	(9.273)	(9.396)	(5.756)	(5.765)	(5.788)
Lev	0.526***	0.526***	0.523***	0.710***	0.709***	0.708***
	(10.116)	(10.110)	(10.060)	(9.118)	(9.106)	(9.089)
ROA	− 1.301***	− 1.301***	− 1.304***	− 0.325*	− 0.326*	− 0.327*
	(− 7.798)	(− 7.800)	(− 7.817)	(− 1.852)	(− 1.856)	(− 1.862)
Cashflow	0.515***	0.515***	0.515***	0.542***	0.542***	0.541***
	(4.262)	(4.263)	(4.263)	(4.612)	(4.612)	(4.604)
Growth	0.059***	0.059***	0.059***	0.043**	0.043**	0.043**
	(3.046)	(3.047)	(3.037)	(2.406)	(2.413)	(2.409)
PPE	0.093	0.092	0.094	0.304***	0.304***	0.305***
	(1.574)	(1.573)	(1.590)	(3.196)	(3.197)	(3.210)
PBR	0.016***	0.016***	0.016***	0.004	0.004	0.004
	(5.085)	(5.087)	(5.121)	(1.122)	(1.125)	(1.148)
FirmAge	0.091***	0.091***	0.091***	0.767***	0.767***	0.767***
	(4.087)	(4.076)	(4.082)	(7.388)	(7.386)	(7.385)
Analyst	− 0.069***	− 0.069***	− 0.069***	− 0.061***	− 0.061***	− 0.061***
	(− 8.980)	(− 8.983)	(− 8.997)	(− 7.035)	(− 7.027)	(− 7.026)
TOP1	− 0.252***	− 0.253***	− 0.251***	− 0.634***	− 0.635***	− 0.632***
	(− 5.140)	(− 5.152)	(− 5.120)	(− 5.616)	(− 5.624)	(− 5.603)
Board	− 0.022	− 0.021	− 0.021	− 0.128*	− 0.126*	− 0.128*
	(− 0.502)	(− 0.477)	(− 0.491)	(− 1.700)	(− 1.678)	(− 1.695)
Indep	− 1.654***	− 1.652***	− 1.649***	− 1.390***	− 1.388***	− 1.387***
	(− 10.817)	(− 10.804)	(− 10.780)	(− 6.191)	(− 6.181)	(− 6.180)
Duality	0.013	0.013	0.013	− 0.012	− 0.012	− 0.012
	(0.801)	(0.811)	(0.802)	(− 0.538)	(− 0.530)	(− 0.534)
Constant	− 1.699***	− 1.704***	− 1.736***	− 4.168***	− 4.175***	− 4.183***
	(− 7.863)	(− 7.877)	(− 7.996)	(− 7.440)	(− 7.452)	(− 7.467)
Firm FE	No	No	No	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25667	25667	25667	25667	25667	25667
Adj. R2	0.207	0.207	0.207	0.476	0.477	0.477

This table presents the regression analysis of the relationship between common institutional ownership and CSR decoupling using the panel fixed-effect model. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. Columns 1–3 control for the industry and year fixed effects. Columns 4–6 control for the firm, year and industry fixed effects. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust *t*-statistics in (). All relevant variables are defined in Appendix A

both directions, we thus distinguish between a negative CSR gap (*NEG_CSRD*) and a positive CSR gap (*POS_CSRD*) to test the relationship between CIO and CSR decoupling. We truncate the CSR gap to zero and distinguish between positive and negative gaps at the upper and lower limits to perform the Tobit model. This allows us to test whether

CIO reduces CSR decoupling irrespective of the positive or negative sign. The results of Models 1 to 6 in Table 3 show that the coefficients of the three proxies of CIO are all significantly negative at the 1% level. Therefore, these results validate Hypothesis 1a that, irrespective of the sign, CIO reduces the likelihood of CSR decoupling.

Changing the Threshold for Defining Common Ownership

According to Yao et al. (2023)'s research, we change the common ownership threshold from 5% to 3%. The results of Models 1 to 3 in Table 4 indicate that the coefficients of our main explanatory variables remain negative and significant, which is consistent with our baseline results.

Propensity Score Matching (PSM)

Benchmark results may suffer from self-selection bias. Specifically, institutional investors have certain stock selection preferences and may favor certain types of listed firms (Petersen & Vredenburg, 2009). The existence of certain common characteristics of firms in the same industry may be important factors contributing to their high common institutional ownership. Therefore, the presence of common owners may be associated with certain unobserved characteristics of firms (Yao et al., 2023), leading to self-selection bias. We employ PSM to mitigate self-selection bias arising from endogeneity issues.

We construct a matched sample based on the presence or absence of common owners. We treat firms with common owners as the treatment group and use a set of firm-level control variables from the baseline regression as matching variables. Then, we employ radius caliper matching to find control firms with similar characteristics to the treatment group. Table 5 shows that the differences in the variables between the two groups after matching are not statistically significant. Figure 1 also shows that the standardized deviations of the covariates of the two groups after matching are located near the 0 line. Therefore, PSM is effective in reducing differences in variables. We perform regression analysis using the matched samples. The test results of Models 1 and 2 in Table 6 show that the coefficients of *CIO_num* ($\beta = -0.209,\ p < 0.01$) and *CIO_share* ($\beta = -0.008,\ p < 0.01$) are all significantly negative at the 1% level, which is consistent with the findings of the benchmark regression.

Heckman Two-Stage Model

To further mitigate the selection bias problem, we use the Heckman two-stage model to test the results. In the first stage, we construct a Probit regression model to calculate the inverse Mills ratio (*IMR*). This model is used to test the correlation between the firm's financial and governance variables in the previous period and whether it has common owners (*CIO_if*). The Probit model is as follows:

$$CIO\_if_{it} = \mu_0 + \mu_1 Lag\_Controls_{it-1} + \eta_{it} \tag{2}$$

where *CIO_if* denotes whether the firm has a common owner in a given year. *Lag_Controls* is the set of lagged control variables involved in the baseline regression. The reason for using lagged variables is that investors access a firm's financial and governance information from the previous period when buying or selling stocks. The results of the first-stage Probit regression are shown in Model 3 of Table 6. In the second stage, we include the *IMR* obtained from the first stage as a control variable in the benchmark regression model to test the effect of possible selection bias on the research conclusion. The results of Models 4 and 5 show that the coefficient of *IMR* is significant at 1% level, which suggests that the distributional bias in the sample of CIO does exist. Once we have adjusted for the possible endogeneity of common institutional ownership, however, the coefficient of *CIO_num* ($\beta = -0.154,\ p < 0.01$) and *CIO_share* ($\beta = -0.006,\ p < 0.01$) is still significantly negative, indicating that the conclusion of our research still holds.

Difference-in-Differences (DID) Model and Consideration of Lag Effects

The baseline model may suffer from reverse causality issues. It is possible that common investors like to invest in high CSR firms, indicating the effect of CSR on common ownership (Petersen & Vredenburg, 2009). First, we address this concern by using a DID model. Specifically, we estimate a multi-period DID to examine the impact of changes in common ownership structure (from no common owners to having common owners) on CSR decoupling. The specific model is as follows:

$$CSRD_{it} = \beta_0 + \beta_1 After_{it} \times Treat_{it} + \gamma \sum Control_{it} + Firm_i + Year_t + Industry_j + \varepsilon_{it} \tag{3}$$

We define the sample that changes from having no common owners to continuing having common owners as the treatment group,[6] with *Treat* set to 1. The sample that never has common owners as the control group, with *Treat* set to 0. *After* is a dummy variable representing the years relative to the ownership structure change, where the value is 1 for the

[6] It should be emphasized that firms transitioning from common ownership to no common ownership are excluded from the treatment group sample. In fact, it is a very rare event for a firm to go from having common ownership to not having common ownership in the Chinese market.

Table 3 Alternative measures of CSR decoupling

Variables	Model 1 *NEG_CSRD*	Model 2 *POS_CSRD*	Model 3 *NEG_CSRD*	Model 4 *POS_CSRD*	Model 5 *NEG_CSRD*	Model 6 *POS_CSRD*
CIO_if	− 0.128***	− 0.142***				
	(− 4.405)	(− 4.618)				
CIO_num			− 0.189***	− 0.212***		
			(− 4.606)	(− 4.907)		
CIO_share					− 0.007***	− 0.008***
					(− 4.666)	(− 4.972)
Size	0.055***	0.098***	0.055***	0.099***	0.056***	0.100***
	(4.094)	(6.919)	(4.127)	(6.966)	(4.190)	(7.027)
Lev	0.544***	0.546***	0.543***	0.544***	0.541***	0.542***
	(8.230)	(7.853)	(8.216)	(7.833)	(8.192)	(7.805)
ROA	− 0.536***	− 0.814***	− 0.537***	− 0.815***	− 0.539***	− 0.817***
	(− 3.281)	(− 4.608)	(− 3.286)	(− 4.612)	(− 3.296)	(− 4.623)
Cashflow	0.494***	0.436***	0.495***	0.436***	0.494***	0.436***
	(4.106)	(3.633)	(4.109)	(3.631)	(4.103)	(3.629)
Growth	0.062***	0.058***	0.062***	0.058***	0.062***	0.058***
	(3.628)	(3.200)	(3.629)	(3.203)	(3.623)	(3.195)
PPE	0.127	0.314***	0.128*	0.315***	0.129*	0.316***
	(1.639)	(3.847)	(1.645)	(3.855)	(1.660)	(3.871)
PBR	0.015***	0.004	0.015***	0.004	0.015***	0.004
	(4.600)	(1.140)	(4.611)	(1.155)	(4.629)	(1.177)
FirmAge	0.057	0.152***	0.057	0.152***	0.057	0.152***
	(1.526)	(3.824)	(1.522)	(3.825)	(1.526)	(3.828)
Analyst	− 0.058***	− 0.039***	− 0.058***	− 0.039***	− 0.058***	− 0.039***
	(− 6.814)	(− 4.418)	(− 6.809)	(− 4.416)	(− 6.819)	(− 4.424)
TOP1	− 0.443***	− 0.547***	− 0.444***	− 0.548***	− 0.441***	− 0.545***
	(− 5.874)	(− 6.811)	(− 5.885)	(− 6.827)	(− 5.856)	(− 6.789)
Board	− 0.068	− 0.093	− 0.066	− 0.091	− 0.067	− 0.092
	(− 1.119)	(− 1.493)	(− 1.092)	(− 1.463)	(− 1.108)	(− 1.481)
Indep	− 1.395***	− 1.697***	− 1.392***	− 1.694***	− 1.390***	− 1.692***
	(− 6.982)	(− 8.407)	(− 6.966)	(− 8.394)	(− 6.958)	(− 8.384)
Duality	0.010	− 0.004	0.010	− 0.003	0.010	− 0.004
	(0.511)	(− 0.170)	(0.515)	(− 0.161)	(0.509)	(− 0.172)
Constant	− 1.053***	− 2.268***	− 1.067***	− 2.287***	− 1.088***	− 2.310***
	(− 2.962)	(− 5.958)	(− 2.999)	(− 6.007)	(− 3.053)	(− 6.058)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25667	25667	25667	25667	25667	25667

This table reports the robustness tests for alternative measures of CSR decoupling using the Tobit model regression. We truncated the CSR decoupling (*CSRD*) at 0, as an upper and a lower limit to check the negative (*NEG_CSRD*) and positive gap (*POS_CSRD*), respectively. The independent variables are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). *$p < 0.10$, **$p < 0.05$, ***$p < 0.01$. Robust *t*-statistics in (). All relevant variables are defined in Appendix A

years after the change and 0 for the years before the change. Differences between the treatment and control groups before the common ownership connection may lead to selection bias, potentially undermining the validity of the model estimation. Therefore, this study first applies PSM for matching and then conducts the test. The result of Model 6 of Table 6 shows that the coefficient of the interaction term *After*×*Treat* is significantly negative ($\beta = -0.182$, $p < 0.01$), implying that CSR decoupling is significantly reduced when firms change from having no CIO to having CIO.

Table 4 Measure common ownership using 3% proportion of shareholding as the threshold

Variables	Model 1 *CSRD*	Model 2 *CSRD*	Model 3 *CSRD*
CIO_if	− 0.093***		
	(− 4.351)		
CIO_num		− 0.124***	
		(− 4.385)	
CIO_share			− 0.006***
			(− 4.678)
Size	0.117***	0.116***	0.118***
	(5.711)	(5.692)	(5.760)
Lev	0.717***	0.718***	0.714***
	(9.218)	(9.234)	(9.180)
ROA	− 0.321*	− 0.319*	− 0.322*
	(− 1.824)	(− 1.815)	(− 1.831)
Cashflow	0.548***	0.550***	0.548***
	(4.663)	(4.676)	(4.658)
Growth	0.043**	0.043**	0.043**
	(2.411)	(2.411)	(2.404)
PPE	0.304***	0.304***	0.306***
	(3.201)	(3.198)	(3.216)
PBR	0.004	0.004	0.004
	(1.164)	(1.164)	(1.200)
FirmAge	0.768***	0.768***	0.768***
	(7.395)	(7.399)	(7.398)
Analyst	− 0.059***	− 0.059***	− 0.059***
	(− 6.887)	(− 6.877)	(− 6.869)
TOP1	− 0.640***	− 0.641***	− 0.641***
	(− 5.673)	(− 5.682)	(− 5.680)
Board	− 0.134*	− 0.132*	− 0.133*
	(− 1.775)	(− 1.756)	(− 1.769)
Indep	− 1.408***	− 1.406***	− 1.406***
	(− 6.267)	(− 6.259)	(− 6.260)
Duality	− 0.013	− 0.013	− 0.013
	(− 0.568)	(− 0.560)	(− 0.565)
Constant	− 4.132***	− 4.128***	− 4.154***
	(− 7.381)	(− 7.375)	(− 7.422)
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes
Obs	25667	25667	25667
Adj. R2	0.476	0.476	0.477

This table reports the results of robustness tests for changing the threshold for defining common ownership using the panel fixed-effect model. We change the common ownership threshold from 5 to 3% and obtain new common institutional ownership variables. The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Second, we consider the lagged independent variables to address potential reverse causality and endogeneity issues. Specifically, we include the lagged period CIO (*L.CIO_if*, *L.CIO_num*, and *L.CIO_share*) as the independent variables in the model. The results of Models 7 to 9 indicate that the coefficients of CIO are all negatively significant, further confirming the robustness of baseline results.

Controlling for Time-Varying Industrial Features

Different industries possess their own characteristics, which may also lead to inherent differences in CSR performance among firms in different industries (Yao et al., 2023). Therefore, inherent industry characteristics may also lead to bias in the benchmark regression results. To control for time-varying industrial features, we control for fixed effects of industry and year interaction on the benchmark regression model. The results of Models 1 to 3 in Table 7 indicate that the estimated coefficients of common ownership on CSR decoupling are still significantly negative, thereby reinforcing the validity of our findings.

Governance Channel Tests

In this section, we analyze the governance channels through which CIO suppresses CSR decoupling behavior. Specifically, based on theoretical analysis, we consider the potential governance mechanisms such as executive delegation, exit threats, and the reduction of controlling shareholders' self-interest. The test models are as follows:

$$CSRD_{it} = \alpha + \beta_1 M_{it} + \beta_2 \sum Controls_{it} + Firm_i + Year_t + Industry_j + \varepsilon_{it} \quad (4)$$

$$M_{it} = \alpha + \beta_1 CIO_{it} + \beta_2 \sum Controls_{it} + Firm_i + Year_t + Industry_j + \varepsilon_{it} \quad (5)$$

$$CSRD_{it} = \alpha + \beta_1 CIO_{it} + \beta_2 M_{it} + \beta_3 \sum Controls_{it} + Firm_i + Year_t + Industry_j + \varepsilon_{it} \quad (6)$$

where M_{it} represents the three governance channel variables involved in this study. First, common institutional investors can exert substantial influence on corporate business ethics decisions by delegating executives to firms (Parrino et al., 2003). This study defines executives appointed by shareholders as those who hold positions at both the shareholder's institution and the firm. We manually collect the number of executives appointed by shareholders to the firm during the

Table 5 PSM balance test

Variables	Treatment group Mean	Control group Mean	Difference in mean %bias	*t*-value of difference *t*	*p*-value of difference *P* > *t*
Size	23.573	23.565	0.6	0.21	0.833
Lev	0.494	0.495	− 0.1	− 0.04	0.969
ROA	0.054	0.053	0.5	0.19	0.847
Cashflow	0.065	0.065	0.0	0.02	0.987
Growth	0.188	0.186	0.6	0.26	0.798
PPE	0.266	0.267	− 0.8	− 0.28	0.779
PBR	3.243	3.202	1.3	0.47	0.640
FirmAge	2.876	2.880	− 1.1	− 0.42	0.674
Analyst	2.133	2.125	0.7	0.26	0.797
TOP1	0.367	0.364	2.5	0.92	0.356
Board	2.206	2.210	− 1.9	− 0.71	0.480
Indep	0.378	0.376	3.7	1.37	0.169
Duality	0.193	0.190	0.9	0.37	0.711

This table provides the difference results of the two groups of samples after propensity matching score (PSM). The difference deviation of the mean of the two groups of samples is within 5%, and the difference test value is not significant, which confirms the rationality of the application of PSM. All relevant variables are defined in Appendix A

sample period,[7] which serves as the proxy variable for the executive delegation channel (*Exe*).

The test results are shown in Table 8. The result of Model 1 shows that the coefficient of *Exe* is significantly negative, indicating that common owners delegating executives can reduce CSR decoupling. The result of Model 2 indicates that the CIO is significantly positively associated with *Exe*, suggesting that the CIO increases the likelihood of delegating executives. When both *Exe* and CIO variables are included in the baseline model, the coefficients of CIO and *Exe* are significantly negative. The overall results provide strong evidence that delegating executives is an important channel through which the CIO governs CSR decoupling behavior.

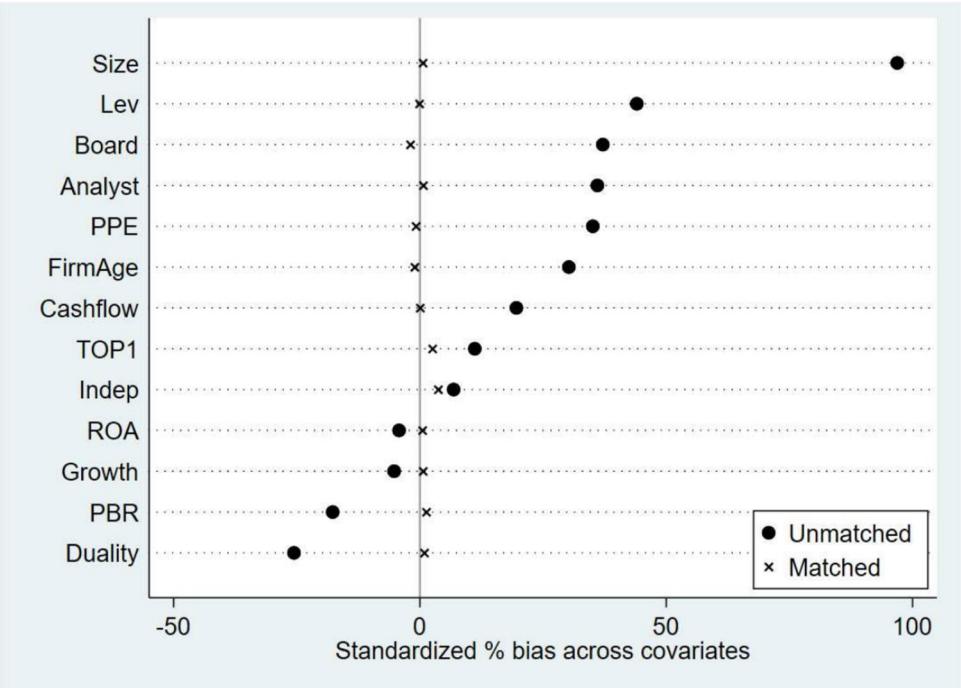

Fig. 1 The effectiveness of the PSM. This figure reports the standardized deviations of the covariates of the two groups after matching. The results show that the standardized deviations are located near the 0 line, confirming the effectiveness of the matching. All relevant variables are defined in Appendix A

[7] The original data are sourced from the CSMAR database.

Table 6 Endogeneity checks

Variables	Model 1 *CSRD*	Model 2 *CSRD*	Model 3 *CIO_if*	Model 4 *CSRD*	Model 5 *CSRD*	Model 6 *CSRD*	Model 7 *CSRD*	Model 8 *CSRD*	Model 9 *CSRD*
	PSM	*PSM*	*Probit*	*Heckman*	*Heckman*	*DID*	*Consideration of lag effect*		
CIO_num	− 0.209***			− 0.154***					
	(− 4.769)			(− 3.204)					
CIO_share		− 0.008***			− 0.006***				
		(− 4.821)			(− 3.214)				
After×*Treat*						− 0.182***			
						(− 5.351)			
L.CIO_if							− 0.126***		
							(− 3.535)		
L.CIO_num								− 0.190***	
								(− 3.778)	
L.CIO_share									− 0.007***
									(− 3.765)
Size	0.117***	0.117***	0.466***	− 0.023	− 0.022	0.119***	0.098***	0.098***	0.098***
	(5.687)	(5.710)	(27.530)	(− 0.668)	(− 0.657)	(5.780)	(3.813)	(3.820)	(3.832)
Lev	0.707***	0.706***	− 0.511***	0.695***	0.694***	0.699***	0.660***	0.659***	0.659***
	(9.063)	(9.047)	(− 4.928)	(6.736)	(6.724)	(8.949)	(6.900)	(6.889)	(6.888)
ROA	− 0.319*	− 0.320*	− 0.647*	0.288	0.288	− 0.319*	0.120	0.119	0.119
	(− 1.815)	(− 1.821)	(− 1.793)	(1.315)	(1.312)	(− 1.814)	(0.594)	(0.587)	(0.588)
Cashflow	0.534***	0.533***	0.763***	0.280*	0.279*	0.531***	0.315**	0.315**	0.315**
	(4.543)	(4.534)	(2.960)	(1.913)	(1.908)	(4.514)	(2.266)	(2.264)	(2.264)
Growth	0.044**	0.044**	− 0.108***	0.022	0.022	0.043**	− 0.008	− 0.008	− 0.008
	(2.445)	(2.441)	(− 2.899)	(0.915)	(0.913)	(2.433)	(− 0.361)	(− 0.362)	(− 0.368)
PPE	0.302***	0.303***	0.504***	0.269**	0.270**	0.305***	0.270**	0.270**	0.271**
	(3.174)	(3.186)	(4.318)	(2.152)	(2.161)	(3.203)	(2.355)	(2.356)	(2.363)
PBR	0.004	0.004	0.057***	− 0.002	− 0.002	0.004	0.004	0.004	0.004
	(1.086)	(1.109)	(10.554)	(− 0.406)	(− 0.393)	(1.134)	(0.871)	(0.876)	(0.887)
FirmAge	0.761***	0.761***	0.220***	0.613***	0.612***	0.756***	0.676***	0.674***	0.674***
	(7.306)	(7.305)	(5.227)	(4.515)	(4.513)	(7.261)	(5.324)	(5.314)	(5.314)
Analyst	− 0.061***	− 0.061***	0.043***	− 0.067***	− 0.067***	− 0.061***	− 0.059***	− 0.058***	− 0.058***
	(− 7.048)	(− 7.048)	(2.646)	(− 6.197)	(− 6.199)	(− 7.009)	(− 5.708)	(− 5.694)	(− 5.698)
TOP1	− 0.638***	− 0.635***	− 0.498***	− 0.358**	− 0.357**	− 0.634***	− 0.519***	− 0.520***	− 0.518***
	(− 5.631)	(− 5.610)	(− 5.266)	(− 2.486)	(− 2.475)	(− 5.607)	(− 3.885)	(− 3.892)	(− 3.880)
Board	− 0.128*	− 0.129*	0.262***	− 0.249***	− 0.250***	− 0.134*	− 0.166*	− 0.165*	− 0.166*
	(− 1.696)	(− 1.713)	(3.286)	(− 2.633)	(− 2.643)	(− 1.780)	(− 1.863)	(− 1.849)	(− 1.860)
Indep	− 1.382***	− 1.381***	1.223***	− 1.567***	− 1.566***	− 1.386***	− 1.333***	− 1.331***	− 1.332***
	(− 6.140)	(− 6.138)	(4.388)	(− 5.629)	(− 5.628)	(− 6.158)	(− 5.088)	(− 5.081)	(− 5.082)
Duality	− 0.011	− 0.011	− 0.085**	− 0.013	− 0.013	− 0.012	− 0.012	− 0.012	− 0.012
	(− 0.497)	(− 0.501)	(− 2.563)	(− 0.451)	(− 0.456)	(− 0.519)	(− 0.452)	(− 0.444)	(− 0.447)
IMR				− 0.408***	− 0.408***				
				(− 6.183)	(− 6.184)				
Constant	− 4.128***	− 4.136***	− 13.681***	0.456	0.450	− 4.155***	− 3.403***	− 3.405***	− 3.410***
	(− 7.336)	(− 7.349)	(− 29.131)	(0.465)	(0.459)	(− 7.368)	(− 4.883)	(− 4.887)	(− 4.895)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25610	25610	17874	17374	17374	25610	19304	19304	19304
Pseudo R^2			0.242						
Adj.R^2	0.475	0.475		0.475	0.475	0.475	0.477	0.477	0.477

Columns 1 and 2 report the results of the regression using the PSM sample. Column 3 reports the results of the Heckman first-stage Probit regression model and the independent variable is the control variable of the benchmark regression lagged by one period. Columns 4 and 5 present the results of Heckman sample selection estimation. Column 6 reports DID results of the impact of changes in common ownership structure

Table 6 (continued)

on CSR decoupling. Columns 7–9 report the regression results considering the independent variables lagged one period. *L.CIO_if*, *L.CIO_num*, and *L.CIO_share* denote the one-period lagged values of *CIO_if*, *CIO_num*, and *CIO_share*, respectively. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Second, as industry hubs, common institutional investors have more channels for transmitting information within the same industry (Park et al., 2019). The stock-selling behavior of common owners could signal bad news, triggering a "herding effect" that places downward pressure on stock prices (Hope et al., 2017). To protect their own interests, managers and controlling shareholders may be forced to accept supervision under this "threat" and reduce the opportunistic behavior of CSR decoupling. Dou et al. (2018) find that blockholder exit threats can enhance financial reporting quality. This study draws on its measurement ideas and uses the interaction between daily stock liquidity and the degree of competition among common owners as a measure of the exit threat (*Thre*). We calculate the Herfindahl index of common owners' shareholding ratio to capture the competition of common owners.[8] Table 9 provides the results of the channel test for exit threat. We find that CIO increase the likelihood of exit threats and that shareholder exit threats reduce CSR decoupling. Overall, the results confirm that controlling shareholders and managers may indeed be threatened by stock prices and compromise with common owners to protect their own interests, thus reducing CSR decoupling activities.

Finally, we examine whether common owners reduce CSR decoupling by substantially reducing controlling shareholders' self-interest. Controlling shareholders may expropriate minority shareholders' interests through related party transactions, a conflict of interest that represents a primary agency problem for firms in emerging capital markets (Jian & Wong, 2010). We also rule out the collusive fraud hypothesis by confirming this mechanism. We use the industry-adjusted ratio of related party transactions to total assets (*Rpta*) to represent the self-interest of controlling shareholders (Zhang et al., 2024). The results in Table 10 show that CIO reduces the *Rpta* and the *Rpta* is positively correlated with CSR decoupling. The overall results show that common owners can suppress the self-interested tendencies of controlling shareholders and constrain CSR decoupling behavior.

Table 7 Controlling for time-varying industrial features

Variables	Model 1 *CSRD*	Model 2 *CSRD*	Model 3 *CSRD*
CIO_if	− 0.139***		
	(− 4.459)		
CIO_num		− 0.206***	
		(− 4.679)	
CIO_share			− 0.008***
			(− 4.673)
Size	0.084***	0.084***	0.084***
	(3.929)	(3.939)	(3.956)
Lev	0.745***	0.744***	0.743***
	(9.388)	(9.373)	(9.363)
ROA	− 0.338*	− 0.339*	− 0.340*
	(− 1.854)	(− 1.856)	(− 1.863)
Cashflow	0.568***	0.568***	0.567***
	(4.781)	(4.783)	(4.775)
Growth	0.055***	0.056***	0.055***
	(3.070)	(3.076)	(3.073)
PPE	0.325***	0.325***	0.326***
	(3.375)	(3.377)	(3.387)
PBR	0.000	0.000	0.000
	(0.104)	(0.109)	(0.127)
FirmAge	0.743***	0.742***	0.742***
	(6.925)	(6.922)	(6.922)
Analyst	− 0.053***	− 0.053***	− 0.053***
	(− 6.053)	(− 6.048)	(− 6.048)
TOP1	− 0.760***	− 0.761***	− 0.759***
	(− 6.661)	(− 6.671)	(− 6.651)
Board	− 0.161**	− 0.159**	− 0.160**
	(− 2.149)	(− 2.127)	(− 2.142)
Indep	− 1.339***	− 1.337***	− 1.336***
	(− 6.005)	(− 5.995)	(− 5.992)
Duality	− 0.018	− 0.017	− 0.018
	(− 0.785)	(− 0.773)	(− 0.779)
Constant	− 3.264***	− 3.271***	− 3.277***
	(− 5.636)	(− 5.648)	(− 5.659)
Firm FE	Yes	Yes	Yes
Industry × year FE	Yes	Yes	Yes
Obs	25601	25601	25601
Adj.R^2	0.500	0.500	0.500

This table reports the regression results considering controls for fixed effects of industry and year interaction using the panel fixed-effect model. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

[8] Since the Herfindahl index reflects concentration, we subtract the index from 1 to indicate that the higher the value, the more intense the competition.

Table 8 Governance channel test: Delegating executives

Variables	Model 1 *CSRD*	Model 2 *Exe*	Model 3 *CSRD*	Model 4 *Exe*	Model 5 *CSRD*	Model 6 *Exe*	Model 7 *CSRD*
CIO_if		0.328***	− 0.101***				
		(27.328)	(− 2.923)				
CIO_num				0.452***	− 0.153***		
				(26.582)	(− 3.177)		
CIO_share						0.018***	− 0.006***
						(27.521)	(− 3.225)
Exe	− 0.182***		− 0.123***		− 0.120***		− 0.116**
	(− 4.297)		(− 2.632)		(− 2.577)		(− 2.465)
Size	0.115***	0.002	0.118***	0.003	0.118***	0.002	0.119***
	(5.609)	(0.598)	(5.775)	(0.728)	(5.787)	(0.429)	(5.803)
Lev	0.719***	− 0.009	0.709***	− 0.010	0.708***	− 0.006	0.707***
	(9.248)	(− 0.836)	(9.104)	(− 0.893)	(9.091)	(− 0.600)	(9.079)
ROA	− 0.321*	0.007	− 0.325*	0.008	− 0.325*	0.010	− 0.326*
	(− 1.826)	(0.322)	(− 1.847)	(0.353)	(− 1.851)	(0.461)	(− 1.855)
Cashflow	0.549***	0.006	0.543***	0.004	0.542***	0.007	0.542***
	(4.667)	(0.366)	(4.616)	(0.265)	(4.615)	(0.414)	(4.609)
Growth	0.044**	0.003	0.043**	0.003	0.043**	0.003	0.043**
	(2.463)	(1.361)	(2.427)	(1.186)	(2.431)	(1.259)	(2.427)
PPE	0.294***	− 0.037**	0.299***	− 0.037**	0.300***	− 0.039**	0.301***
	(3.090)	(− 2.292)	(3.147)	(− 2.253)	(3.150)	(− 2.436)	(3.160)
PBR	0.003	0.000	0.004	0.000	0.004	0.000	0.004
	(0.974)	(0.338)	(1.128)	(0.539)	(1.135)	(0.193)	(1.151)
FirmAge	0.777***	0.056***	0.774***	0.057***	0.773***	0.057***	0.773***
	(7.499)	(3.150)	(7.468)	(3.174)	(7.465)	(3.207)	(7.462)
Analyst	− 0.061***	0.001	− 0.061***	0.001	− 0.061***	0.001	− 0.061***
	(− 7.099)	(0.551)	(− 7.028)	(0.560)	(− 7.020)	(0.530)	(− 7.020)
TOP1	− 0.632***	− 0.037**	− 0.639***	− 0.037**	− 0.639***	− 0.043**	− 0.637***
	(− 5.603)	(− 1.994)	(− 5.660)	(− 1.988)	(− 5.668)	(− 2.291)	(− 5.651)
Board	− 0.131*	− 0.000	− 0.128*	− 0.003	− 0.127*	− 0.001	− 0.128*
	(− 1.744)	(− 0.031)	(− 1.702)	(− 0.261)	(− 1.685)	(− 0.048)	(− 1.697)
Indep	− 1.402***	− 0.002	− 1.390***	− 0.003	− 1.388***	− 0.005	− 1.388***
	(− 6.264)	(− 0.047)	(− 6.207)	(− 0.076)	(− 6.198)	(− 0.115)	(− 6.197)
Duality	− 0.009	0.021***	− 0.010	0.020***	− 0.010	0.020***	− 0.010
	(− 0.398)	(6.220)	(− 0.427)	(6.144)	(− 0.423)	(6.211)	(− 0.430)
Constant	− 4.122***	− 0.188*	− 4.192***	− 0.194**	− 4.198***	− 0.175*	− 4.203***
	(− 7.359)	(− 1.905)	(− 7.485)	(− 1.961)	(− 7.497)	(− 1.774)	(− 7.506)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25667	25667	25667	25667	25667	25667	25667
Adj.R^2	0.476	0.580	0.477	0.575	0.477	0.582	0.477

This table reports the results of the channel test of whether common institutional investors reduce CSR decoupling through executive delegation (*Exe*) using the panel fixed-effect model. The executive delegation channel variable is measured as the number of executives appointed by shareholders to the firm. Column 1 reports the results of the effect of executive delegation on CSR decoupling. Columns 2, 4, and 6 test the effect of common institutional ownership on executive delegation. Columns 3, 5, and 7 include common institutional ownership and executive delegation as independent variables to test their effects on CSR decoupling. *$p < 0.10$, **$p < 0.05$, ***$p < 0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Cross-Sectional Tests

State Ownership

China's unique hybrid market economy features a combination of state-owned enterprises (SOEs) and non-state-owned enterprises (Non-SOEs), which have obvious differences in corporate governance and business objectives (Genin et al., 2021; Ma & Yasir, 2023). At the corporate governance level, SOEs' management is typically composed of government officials, who have ultimate control over decisions and appointments, making the corporate ethical decisions more susceptible to administrative influence (de Pilla et al., 2024). This political dependence of SOEs leads them to comply with government signals by publishing substantive CSR reports (Marquis & Qian, 2014). Institutional barriers limit the ability of common owners to influence the CSR decoupling decisions of SOEs. Non-SOEs lack such administrative intervention, thus allowing common owners to govern CSR decoupling more effectively. At the level of business objectives, China's non-SOEs are more focused on maximizing economic benefits (Ma & Yasir, 2023). In addition to focusing on economic benefits, SOEs also serve the government's political or social goals (Luo et al., 2017). Compared with SOEs, non-SOEs have fewer resource privileges (Marquis & Qian, 2014; Peng, 2003), which may lead them to use CSR decoupling as a means of rent-seeking from the government. Common institutional investors align with the business objectives of non-SOEs and are more concerned about market reactions. As a result, they are more sensitive to the damage to shareholder value caused by CSR decoupling. Therefore, we predict that common owners in non-SOEs may have a more significant governance effect on CSR decoupling compared to SOEs.

We divide the sample into SOEs and non-SOEs for group analysis. The results in Table 11 show that CIO has a less significant impact on the decoupling behavior of SOEs. However, for non-SOEs, the impact coefficients of CIO are significant at the 1% level. Further, the Chow test results show that the p-values of the difference tests are all less than 0.01, reflecting significant differences in the coefficients between the two subsamples. Therefore, the governance effect of the CIO on CSR decoupling in non-SOEs is more significant.

CSR Intensity

Under the dual pressures of policy orientation and government regulation in China, CSR-intensive firms face stricter regulatory requirements and higher social expectations (Luo et al., 2017). This policy environment provides greater room for the intervention of common institutional investors. CSR-intensive firms, which view social responsibility as a core element of their business strategy, face heightened stakeholder expectations, rendering decoupling behavior more vulnerable to external scrutiny (Perez-Batres et al., 2012). Further, CSR-intensive firms rely heavily on their socially responsible image for brand value and competitiveness. Exposure of CSR decoupling can severely damage their reputation and market performance (García-Sánchez et al., 2021). The negative externalities of CSR decoupling have a greater impact on common shareholders in industries where stakeholder trust and corporate reputation are crucial (He et al., 2019). As important shareholders, common owners may conduct more stringent supervision of the CSR behavior of CSR-intensive firms to protect their investment interests and prevent potential reputation risks (DesJardine et al., 2023). This risk characteristic strengthens the governance effect of common owners in CSR-intensive firms by reinforcing informal social norms, industry reputation, and investor expectations.

Referring to the study of Hawn and Ioannou (2016), we calculate the average CSR performance at the industry level and use this as a high and low grouping benchmark to divide the sample firms into CSR-intensive firms and other firms. The results in Table 12 show that the impact coefficients of CIO are significantly negative in CSR-intensive firms, but statistically insignificant for other firms. The Chow test results show that the p-values are all less than 0.05, indicating significant differences in coefficients between the two groups. The above results indicate that the governance effect of CIO is more pronounced for CSR-intensive firms, highlighting the social attributes of common institutional shareholders.

Legal Environment

Under the pressure of local legal supervision, firms are more likely to actively fulfill their social responsibility to avoid fines and reputation damage caused by decoupling (Luo et al., 2017). However, the constraints of government regulation and the judicial system on corporate behavior are weak in regions with underdeveloped legal environments (Zhou et al., 2024). As a result, firms are more likely to conceal their actual CSR shortcomings through false or exaggerated CSR disclosures. China's rule of law is still evolving, and CSR decoupling behavior remains inadequately regulated by legal constraints (Marquis & Qian, 2014). In such cases, CSR decoupling behavior may rely on informal market and stakeholder constraints for regulation. Unlike the mandatory regulation of traditional regulatory agencies, the supervision of common shareholders is an ethical constraint rooted in market logic. Therefore, we predict that this informal ethical mechanism forms a complementary relationship with the formal system, filling the vacuum of legal supervision

Table 9 Governance channel test: Exit threats

Variables	Model 1 *CSRD*	Model 2 *Thre*	Model 3 *CSRD*	Model 4 *Thre*	Model 5 *CSRD*	Model 6 *Thre*	Model 7 *CSRD*
CIO_if		0.061**	− 0.105**				
		(2.118)	(− 2.547)				
CIO_num				0.081**	− 0.159***		
				(2.023)	(− 2.756)		
CIO_share						0.003**	− 0.006***
						(1.984)	(− 2.711)
Thre	− 0.020*		− 0.019*		− 0.019*		− 0.019*
	(− 1.780)		(− 1.734)		(− 1.734)		(− 1.734)
Size	0.103***	− 0.085***	0.105***	− 0.085***	0.106***	− 0.085***	0.106***
	(4.037)	(− 5.038)	(4.142)	(− 5.032)	(4.149)	(− 5.038)	(4.159)
Lev	0.865***	− 0.087	0.855***	− 0.087	0.854***	− 0.087	0.854***
	(9.382)	(− 1.356)	(9.255)	(− 1.362)	(9.248)	(− 1.358)	(9.240)
ROA	− 0.464**	0.600***	− 0.468**	0.600***	− 0.469**	0.601***	− 0.469**
	(− 2.191)	(3.997)	(− 2.213)	(3.995)	(− 2.214)	(3.997)	(− 2.217)
Cashflow	0.652***	0.207**	0.643***	0.207**	0.643***	0.207**	0.642***
	(4.795)	(2.316)	(4.734)	(2.310)	(4.733)	(2.313)	(4.729)
Growth	0.037*	0.024*	0.036*	0.024*	0.036*	0.024*	0.036*
	(1.812)	(1.827)	(1.787)	(1.819)	(1.794)	(1.822)	(1.790)
PPE	0.269**	− 0.076	0.273**	− 0.076	0.273**	− 0.076	0.274**
	(2.399)	(− 1.074)	(2.438)	(− 1.069)	(2.438)	(− 1.077)	(2.448)
PBR	− 0.008*	0.016***	− 0.007*	0.017***	− 0.007*	0.016***	− 0.007*
	(− 1.923)	(5.247)	(− 1.761)	(5.257)	(− 1.753)	(5.251)	(− 1.745)
FirmAge	1.123***	0.146*	1.118***	0.146*	1.117***	0.146*	1.117***
	(8.524)	(1.804)	(8.485)	(1.802)	(8.482)	(1.802)	(8.482)
Analyst	− 0.061***	0.024***	− 0.060***	0.024***	− 0.060***	0.024***	− 0.060***
	(− 6.006)	(3.249)	(− 5.944)	(3.250)	(− 5.937)	(3.250)	(− 5.937)
TOP1	− 0.644***	− 0.033	− 0.651***	− 0.033	− 0.652***	− 0.034	− 0.651***
	(− 4.701)	(− 0.382)	(− 4.753)	(− 0.383)	(− 4.760)	(− 0.393)	(− 4.748)
Board	− 0.154*	− 0.020	− 0.151*	− 0.020	− 0.150*	− 0.020	− 0.151*
	(− 1.696)	(− 0.323)	(− 1.663)	(− 0.327)	(− 1.654)	(− 0.321)	(− 1.660)
Indep	− 1.336***	0.051	− 1.328***	0.051	− 1.327***	0.051	− 1.326***
	(− 4.965)	(0.278)	(− 4.935)	(0.281)	(− 4.934)	(0.277)	(− 4.929)
Duality	− 0.011	0.019	− 0.010	0.019	− 0.010	0.019	− 0.010
	(− 0.391)	(0.978)	(− 0.356)	(0.976)	(− 0.349)	(0.979)	(− 0.353)
Constant	− 4.891***	− 1.488***	− 4.930***	− 1.489***	− 4.933***	− 1.486***	− 4.939***
	(− 7.057)	(− 3.295)	(− 7.119)	(− 3.297)	(− 7.124)	(− 3.290)	(− 7.132)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	19776	19776	19776	19776	19776	19776	19776
Adj.R^2	0.506	0.461	0.506	0.461	0.506	0.461	0.506

This table reports the results of the channel test of whether common institutional investors reduce CSR decoupling through exit threat (*Thre*) using the panel fixed-effect model. The exit threat channel variable is measured as the intersection of daily stock liquidity and the degree of competition among common owners. Column 1 reports the results of the effect of exit threats of common owner on CSR decoupling. Columns 2, 4, and 6 test the effect of common institutional ownership on exit threats of common owner. Columns 3, 5, and 7 include common institutional ownership and exit threat as independent variables to test their effects on CSR decoupling. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Table 10 Governance channel test: Reducing controlling shareholders' self-interest

Variables	Model 1 *CSRD*	Model 2 *Rpta*	Model 3 *CSRD*	Model 4 *Rpta*	Model 5 *CSRD*	Model 6 *Rpta*	Model 7 *CSRD*
CIO_if		− 0.090***	− 0.137***				
		(− 2.615)	(− 4.395)				
CIO_num				− 0.122**	− 0.202***		
				(− 2.525)	(− 4.602)		
CIO_share						− 0.005***	− 0.008***
						(− 2.780)	(− 4.672)
Rpta	0.014**		0.014**		0.014**		0.014**
	(2.062)		(1.977)		(1.977)		(1.963)
Size	0.099***	0.811***	0.106***	0.811***	0.106***	0.812***	0.107***
	(4.641)	(27.768)	(4.962)	(27.772)	(4.972)	(27.774)	(4.998)
Lev	0.684***	0.903***	0.666***	0.903***	0.665***	0.901***	0.664***
	(8.660)	(9.971)	(8.427)	(9.974)	(8.415)	(9.954)	(8.400)
ROA	− 0.334*	0.044	− 0.341*	0.044	− 0.341*	0.043	− 0.342*
	(− 1.879)	(0.226)	(− 1.917)	(0.226)	(− 1.922)	(0.220)	(− 1.927)
Cashflow	0.559***	− 0.062	0.548***	− 0.061	0.548***	− 0.063	0.547***
	(4.700)	(− 0.495)	(4.620)	(− 0.491)	(4.621)	(− 0.501)	(4.612)
Growth	0.042**	0.057***	0.042**	0.057***	0.042**	0.057***	0.042**
	(2.373)	(2.582)	(2.335)	(2.587)	(2.342)	(2.584)	(2.339)
PPE	0.304***	− 0.114	0.310***	− 0.114	0.310***	− 0.113	0.311***
	(3.142)	(− 1.005)	(3.205)	(− 1.007)	(3.206)	(− 0.997)	(3.219)
PBR	0.003	− 0.030***	0.004	− 0.030***	0.004	− 0.029***	0.004
	(0.775)	(− 6.110)	(1.043)	(− 6.121)	(1.047)	(− 6.095)	(1.068)
FirmAge	0.691***	0.559***	0.691***	0.559***	0.691***	0.559***	0.691***
	(6.457)	(5.865)	(6.474)	(5.863)	(6.472)	(5.862)	(6.473)
Analyst	− 0.060***	0.028***	− 0.059***	0.028***	− 0.059***	0.028***	− 0.059***
	(− 6.913)	(3.064)	(− 6.786)	(3.062)	(− 6.778)	(3.070)	(− 6.776)
TOP1	− 0.625***	0.131	− 0.640***	0.131	− 0.641***	0.132	− 0.638***
	(− 5.472)	(0.867)	(− 5.604)	(0.868)	(− 5.613)	(0.873)	(− 5.592)
Board	− 0.171**	0.120	− 0.166**	0.121	− 0.164**	0.121	− 0.165**
	(− 2.247)	(1.514)	(− 2.181)	(1.523)	(− 2.159)	(1.518)	(− 2.176)
Indep	− 1.471***	− 0.155	− 1.451***	− 0.155	− 1.449***	− 0.153	− 1.448***
	(− 6.461)	(− 0.649)	(− 6.377)	(− 0.648)	(− 6.367)	(− 0.641)	(− 6.366)
Duality	− 0.008	− 0.029	− 0.007	− 0.029	− 0.007	− 0.029	− 0.007
	(− 0.351)	(− 1.271)	(− 0.319)	(− 1.267)	(− 0.310)	(− 1.268)	(− 0.315)
Constant	− 3.405***	− 21.160***	− 3.560***	− 21.156***	− 3.567***	− 21.170***	− 3.577***
	(− 5.763)	(− 29.423)	(− 6.032)	(− 29.426)	(− 6.044)	(− 29.431)	(− 6.061)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25139	25139	25139	25139	25139	25139	25139
Adj.R^2	0.471	0.751	0.472	0.751	0.472	0.751	0.472

This table reports the results of the channel test of whether common institutional investors reduce CSR decoupling through reducing controlling shareholders' self-interest (*Rpta*) using the panel fixed-effect model. The controlling shareholders' self-interest is measured as the industry-adjusted ratio of related party transactions to total assets. Column 1 reports the results of the effect of controlling shareholders' self-interest on CSR decoupling. Columns 2, 4, and 6 test the effect of common institutional ownership on controlling shareholders' self-interest. Columns 3, 5, and 7 include common institutional ownership and controlling shareholders' self-interest as independent variables to test their effects on CSR decoupling. *$p < 0.10$, **$p < 0.05$, ***$p < 0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Table 11 Cross-sectional analysis: State ownership

Variables	Model 1 *CSRD* *SOEs*	Model 2 *CSRD* *Non-SOEs*	Model 3 *CSRD* *SOEs*	Model 4 *CSRD* *Non-SOEs*	Model 5 *CSRD* *SOEs*	Model 6 *CSRD* *Non-SOEs*
CIO_if	− 0.041	− 0.223***				
	(− 0.982)	(− 4.350)				
CIO_num			− 0.065	− 0.329***		
			(− 1.115)	(− 4.523)		
CIO_share					− 0.003	− 0.013***
					(− 1.189)	(− 4.522)
Size	0.077**	0.059**	0.078**	0.059**	0.078**	0.060**
	(2.306)	(2.043)	(2.313)	(2.048)	(2.320)	(2.083)
Lev	0.179	0.840***	0.179	0.839***	0.178	0.837***
	(1.361)	(8.260)	(1.355)	(8.256)	(1.351)	(8.229)
ROA	0.103	− 0.255	0.102	− 0.254	0.101	− 0.256
	(0.330)	(− 1.142)	(0.325)	(− 1.139)	(0.323)	(− 1.150)
Cashflow	0.339*	0.485***	0.339*	0.485***	0.339*	0.484***
	(1.850)	(3.109)	(1.850)	(3.109)	(1.847)	(3.102)
Growth	0.039	0.058**	0.039	0.058**	0.039	0.058**
	(1.416)	(2.414)	(1.421)	(2.413)	(1.421)	(2.410)
PPE	0.272*	0.231*	0.273*	0.230*	0.273*	0.230*
	(1.897)	(1.700)	(1.901)	(1.696)	(1.906)	(1.700)
PBR	0.010	− 0.006	0.010	− 0.006	0.010	− 0.006
	(1.632)	(− 1.419)	(1.634)	(− 1.414)	(1.640)	(− 1.382)
FirmAge	− 0.220	0.864***	− 0.221	0.865***	− 0.220	0.863***
	(− 1.240)	(6.200)	(− 1.242)	(6.206)	(− 1.237)	(6.199)
Analyst	− 0.033**	− 0.064***	− 0.033**	− 0.064***	− 0.033**	− 0.064***
	(− 2.307)	(− 5.597)	(− 2.303)	(− 5.592)	(− 2.303)	(− 5.588)
TOP1	0.060	− 0.728***	0.059	− 0.729***	0.059	− 0.726***
	(0.344)	(− 4.481)	(0.336)	(− 4.492)	(0.339)	(− 4.474)
Board	− 0.120	− 0.026	− 0.119	− 0.025	− 0.119	− 0.026
	(− 1.074)	(− 0.237)	(− 1.065)	(− 0.234)	(− 1.070)	(− 0.243)
Indep	− 1.510***	− 0.983***	− 1.508***	− 0.986***	− 1.508***	− 0.983***
	(− 4.886)	(− 2.964)	(− 4.880)	(− 2.972)	(− 4.880)	(− 2.962)
Duality	0.056	− 0.027	0.056	− 0.026	0.056	− 0.026
	(1.325)	(− 0.931)	(1.327)	(− 0.920)	(1.326)	(− 0.924)
Constant	− 0.659	− 3.373***	− 0.665	− 3.377***	− 0.670	− 3.396***
	(− 0.685)	(− 4.333)	(− 0.691)	(− 4.340)	(− 0.697)	(− 4.362)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	8,971	15558	8,971	15558	8,971	15558
Adj.R^2	0.475	0.505	0.475	0.505	0.475	0.505
Coefficient difference	0.004		0.004		0.003	

This table reports the results of the cross-sectional analysis for state-owned enterprises (*SOEs*) and non-state-owned enterprises (*Non-SOEs*) using the panel fixed-effect model. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. The *P* value for the coefficient difference is provided based on the estimation results of the Chow test for the interaction model. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust *t*-statistics in (). All relevant variables are defined in Appendix A

by effectively governing the unethical behavior of CSR decoupling.

Referring to the research of Zhou et al. (2024), we use the number of intellectual property cases in the city where the firm is located to measure the local legal environment. The results in Table 13 show that the impact of CIO on decoupling is amplified in a less efficient legal environment. However, in a more efficient legal system, the impact of CIO is significantly reduced. The P-values of coefficient difference test further validate our findings. The overall results suggest that the governance effect of CIO on CSR decoupling is more pronounced in regions with less efficient legal environments.

Further Analysis of Common Owners

When the number of peer firms connected through common institutional investors increases, these firms can achieve greater market power and generate higher returns through coordinated governance (He et al., 2019). The more firms benefit from common ownership, the more effective coordination can be (Qiang et al., 2024). In this case, common owners are more capable of governing the CSR decoupling behavior of portfolio firms. We calculate the number of portfolio firms (within the industry) owned by common owners (*CIO_firms*). We further test the effect of *CIO_firms* on CSR decoupling. The results in Table 14 show that the coefficient on *CIO_firms* is significantly negative at the 1% level ($\beta = -0.051,\ p < 0.01$). Therefore, the greater the market power of CIO in the same industry, the more effectively it can reduce CSR decoupling through coordinated governance. This result further supports the coordinated governance hypothesis.

Common owners with different investment horizons may have different governance effects on CSR decoupling. Long-term common owners pay more attention to the long-term development of firms and have a greater willingness to engage in coordinated governance (Kim et al., 2019), whereas short-term common owners may be more interested in short-term benefits. In the long run, CSR decoupling itself is an act that undermines shareholder value, so long-term common owners have a stronger motivation to monitor this unethical behavior (Erhemjamts & Huang, 2019). We categorize common owners with a holding period of more than one year as long-term owners and those with a holding period of one year or less as short-term owners. On this basis, this study recalculates the long-term (short-term) CIO dummy variable, the number of long-term (short-term) common owners, and the number of shares held by long-term (short-term) common owners based on the original sample. The results in Models 2 to 7 of Table 14 indicate that the coefficients of long-term CIO are all negatively significant, while the coefficients of short-term CIO are statistically insignificant. Therefore, the governance effect of CIO on CSR decoupling is mainly driven by long-term common owners.

Discussion and Conclusions

As stakeholders become increasingly concerned about corporate sustainability, the issue of CSR decoupling has received extensive academic attention. This study examines the impact of common institutional ownership on CSR decoupling. We find that common owners coordinate the governance of CSR decoupling behaviors by delegating executives, threatening to exit, and reducing controlling shareholders' self-interest. This governance effect is more pronounced in non-state-owned enterprises, CSR-intensive firms, and regions with inefficient legal environments. Further analysis of common owners reveals that common owners with higher market power or long-term investment horizons are more effective in governing CSR decoupling. This study highlights the important influence of financial institutions in governing corporate unethical behavior.

Our paper complements the existing research gap by providing an effective solution to govern CSR decoupling by incorporating the role of common ownership, which has important theoretical implications. First, we enrich the literature on institutional ownership from a business ethics perspective. Our research goes beyond the traditional focus on the profit-driven nature of institutional investors, emphasizing that the common owners can also yield additional ethical impacts, particularly in constraining CSR decoupling. This expands the understanding of common owners' role from mere profit-seekers to sustainable stakeholders. Most scholars focus on the relationship between individual institutional shareholding and CSR (Dyck et al., 2019; Erhemjamts & Huang, 2019; Kim et al., 2019), while ignoring the industry-wide normative effects brought by common shareholding. Unlike individual investors, common owners can leverage their industry influence to foster mutual monitoring and incentives among firms by promoting industry prosocial practices and reinforcing ethical expectations (Fu et al., 2022). Moreover, there has been ongoing debate regarding how common owners influence corporate governance. Some studies believe that common owners may have negative effects of collusive fraud (Azar et al., 2018; Cheng et al., 2022; Kini et al., 2024), and other studies believe that they may also have positive effects of coordinated governance (He et al., 2019; Ramalingegowda et al., 2021; Yao et al., 2023). We contribute to this debate by showing that coordinated governance effect of common institutional ownership on CSR decoupling and thus demonstrate its ethical and social implications. Our research changes stereotypes about

Table 12 Cross-sectional analysis: CSR intensity

Variables	Model 1 *CSRD* *CSR-intensive firms*	Model 2 *CSRD* *Other firms*	Model 3 *CSRD* *CSR-intensive firms*	Model 4 *CSRD* *Other firms*	Model 5 *CSRD* *CSR-intensive firms*	Model 6 *CSRD* *Other firms*
CIO_if	− 0.113***	− 0.036				
	(− 3.032)	(− 0.764)				
CIO_num			− 0.166***	− 0.057		
			(− 3.171)	(− 0.866)		
CIO_share					− 0.007***	− 0.002
					(− 3.318)	(− 0.781)
Size	0.226***	0.052*	0.226***	0.052*	0.227***	0.052*
	(7.503)	(1.857)	(7.513)	(1.861)	(7.535)	(1.861)
Lev	0.459***	0.439***	0.459***	0.439***	0.456***	0.439***
	(4.041)	(4.238)	(4.034)	(4.233)	(4.013)	(4.235)
ROA	− 0.357	0.017	− 0.359	0.017	− 0.358	0.017
	(− 1.436)	(0.075)	(− 1.446)	(0.076)	(− 1.441)	(0.074)
Cashflow	0.256*	0.344**	0.256*	0.343**	0.255	0.343**
	(1.652)	(2.225)	(1.649)	(2.224)	(1.643)	(2.224)
Growth	0.003	0.011	0.003	0.011	0.003	0.011
	(0.110)	(0.471)	(0.118)	(0.471)	(0.115)	(0.471)
PPE	0.536***	0.157	0.536***	0.158	0.538***	0.158
	(4.111)	(1.258)	(4.107)	(1.262)	(4.122)	(1.260)
PBR	− 0.008	0.005	− 0.008	0.005	− 0.007	0.005
	(− 1.526)	(1.112)	(− 1.527)	(1.114)	(− 1.501)	(1.114)
FirmAge	0.820***	0.670***	0.819***	0.670***	0.820***	0.670***
	(5.933)	(4.461)	(5.932)	(4.461)	(5.938)	(4.460)
Analyst	− 0.018	− 0.048***	− 0.018	− 0.048***	− 0.018	− 0.048***
	(− 1.587)	(− 4.030)	(− 1.578)	(− 4.026)	(− 1.584)	(− 4.028)
TOP1	− 0.567***	− 0.342**	− 0.567***	− 0.343**	− 0.565***	− 0.342**
	(− 3.523)	(− 2.196)	(− 3.528)	(− 2.201)	(− 3.515)	(− 2.195)
Board	− 0.193**	0.001	− 0.191**	0.002	− 0.193**	0.002
	(− 2.033)	(0.012)	(− 2.011)	(0.016)	(− 2.031)	(0.014)
Indep	− 1.067***	− 0.550*	− 1.064***	− 0.550*	− 1.065***	− 0.550*
	(− 3.958)	(− 1.688)	(− 3.947)	(− 1.685)	(− 3.952)	(− 1.685)
Duality	− 0.012	− 0.020	− 0.012	− 0.020	− 0.012	− 0.020
	(− 0.413)	(− 0.641)	(− 0.408)	(− 0.639)	(− 0.409)	(− 0.641)
Constant	− 7.185***	− 2.589***	− 7.194***	− 2.592***	− 7.206***	− 2.591***
	(− 9.050)	(− 3.280)	(− 9.064)	(− 3.284)	(− 9.080)	(− 3.282)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	12061	12570	12061	12570	12061	12570
Adj.R^2	0.519	0.559	0.519	0.559	0.519	0.559
Coefficient difference	0.034		0.043		0.021	

This table reports the results of the cross−sectional analysis for CSR-intensive firms and other firms using the panel fixed-effect model. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. The *P* value for the coefficient difference is provided based on the estimation results of the Chow test for the interaction model. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust t-statistics in (). All relevant variables are defined in Appendix A

Table 13 Cross-sectional analysis: Legal environment

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	CSRD	*CSRD*	*CSRD*	*CSRD*	*CSRD*	*CSRD*
	More efficient	*Less efficient*	*More efficient*	*Less efficient*	*More efficient*	*Less efficient*
CIO_if	− 0.111*	− 0.152***				
	(− 1.864)	(− 3.399)				
CIO_num			− 0.142*	− 0.239***		
			(− 1.713)	(− 3.827)		
CIO_share					− 0.006*	− 0.008***
					(− 1.893)	(− 3.509)
Size	0.255***	0.060**	0.255***	0.061**	0.255***	0.061**
	(6.068)	(2.122)	(6.061)	(2.149)	(6.076)	(2.147)
Lev	0.694***	0.656***	0.696***	0.654***	0.692***	0.654***
	(4.309)	(5.965)	(4.316)	(5.947)	(4.298)	(5.946)
ROA	− 1.050***	− 0.212	− 1.051***	− 0.214	− 1.050***	− 0.214
	(− 2.900)	(− 0.858)	(− 2.904)	(− 0.867)	(− 2.900)	(− 0.868)
Cashflow	0.916***	0.492***	0.916***	0.492***	0.916***	0.491***
	(3.620)	(2.959)	(3.620)	(2.960)	(3.620)	(2.956)
Growth	0.040	0.037	0.041	0.037	0.041	0.037
	(1.127)	(1.446)	(1.134)	(1.452)	(1.132)	(1.450)
PPE	0.510**	0.346***	0.509**	0.346***	0.512**	0.347***
	(2.283)	(2.657)	(2.278)	(2.663)	(2.292)	(2.666)
PBR	− 0.003	0.010**	− 0.003	0.010**	− 0.003	0.010**
	(− 0.400)	(1.980)	(− 0.405)	(1.993)	(− 0.396)	(1.995)
FirmAge	− 0.049	0.704***	− 0.051	0.703***	− 0.049	0.703***
	(− 0.215)	(4.757)	(− 0.223)	(4.753)	(− 0.214)	(4.751)
Analyst	− 0.108***	− 0.044***	− 0.109***	− 0.044***	− 0.109***	− 0.044***
	(− 5.943)	(− 3.675)	(− 5.953)	(− 3.652)	(− 5.947)	(− 3.671)
TOP1	− 0.709***	− 0.582***	− 0.704***	− 0.584***	− 0.707***	− 0.580***
	(− 2.747)	(− 3.821)	(− 2.728)	(− 3.830)	(− 2.741)	(− 3.805)
Board	− 0.197	− 0.153	− 0.196	− 0.152	− 0.196	− 0.153
	(− 1.267)	(− 1.449)	(− 1.260)	(− 1.436)	(− 1.261)	(− 1.449)
Indep	− 0.330	− 1.770***	− 0.328	− 1.772***	− 0.329	− 1.769***
	(− 0.749)	(− 5.501)	(− 0.745)	(− 5.508)	(− 0.746)	(− 5.499)
Duality	0.025	− 0.008	0.025	− 0.008	0.025	− 0.008
	(0.525)	(− 0.241)	(0.530)	(− 0.230)	(0.528)	(− 0.240)
Constant	− 5.167***	− 2.573***	− 5.163***	− 2.588***	− 5.176***	− 2.587***
	(− 4.293)	(− 3.283)	(− 4.288)	(− 3.303)	(− 4.300)	(− 3.300)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Obs	5,829	13622	5,829	13622	5,829	13622
Adj.R^2	0.499	0.482	0.499	0.482	0.499	0.482
Coefficient difference P	0.024		0.012		0.030	

This table reports the results of the cross-sectional analysis for more efficient legal environment and less efficient legal environment using the panel fixed-effect model. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. The *P* value for the coefficient difference is provided based on the estimation results of the Chow test for the interaction model. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust *t*-statistics in (). All relevant variables are defined in Appendix A

Table 14 Further analysis

Variables	Model 1 *CSRD*	Model 2 *CSRD* *Long term*	Model 3 *CSRD* *Short term*	Model 4 *CSRD* *Long term*	Model 5 *CSRD* *Short term*	Model 6 *CSRD* *Long term*	Model7 *CSRD* *Short term*
CIO_firms	− 0.051***						
	(− 4.362)						
CIO_if		− 0.211***	− 0.048				
		(− 4.845)	(− 1.301)				
CIO_num				− 0.301***	− 0.069		
				(− 4.892)	(− 1.319)		
CIO_share						− 0.012***	− 0.002
						(− 5.218)	(− 1.213)
Size	0.119***	0.114***	0.113***	0.114***	0.113***	0.114***	0.113***
	(5.815)	(5.546)	(5.522)	(5.554)	(5.523)	(5.559)	(5.519)
Lev	0.713***	0.717***	0.725***	0.717***	0.725***	0.715***	0.725***
	(9.157)	(9.214)	(9.307)	(9.209)	(9.307)	(9.195)	(9.308)
ROA	− 0.321*	− 0.327*	− 0.320*	− 0.327*	− 0.320*	− 0.329*	− 0.320*
	(− 1.827)	(− 1.864)	(− 1.822)	(− 1.864)	(− 1.822)	(− 1.873)	(− 1.822)
Cashflow	0.546***	0.541***	0.551***	0.541***	0.552***	0.540***	0.552***
	(4.643)	(4.604)	(4.689)	(4.602)	(4.690)	(4.595)	(4.690)
Growth	0.043**	0.043**	0.044**	0.043**	0.044**	0.043**	0.044**
	(2.395)	(2.430)	(2.448)	(2.436)	(2.447)	(2.433)	(2.449)
PPE	0.303***	0.299***	0.300***	0.299***	0.300***	0.300***	0.300***
	(3.185)	(3.141)	(3.150)	(3.145)	(3.150)	(3.149)	(3.150)
PBR	0.004	0.003	0.003	0.003	0.003	0.004	0.003
	(1.147)	(0.981)	(0.908)	(0.979)	(0.908)	(0.998)	(0.905)
FirmAge	0.768***	0.762***	0.769***	0.762***	0.769***	0.760***	0.769***
	(7.399)	(7.334)	(7.397)	(7.336)	(7.396)	(7.324)	(7.396)
Analyst	− 0.061***	− 0.061***	− 0.062***	− 0.061***	− 0.062***	− 0.061***	− 0.062***
	(− 7.075)	(− 7.066)	(− 7.131)	(− 7.070)	(− 7.131)	(− 7.061)	(− 7.133)
TOP1	− 0.626***	− 0.629***	− 0.623***	− 0.629***	− 0.623***	− 0.627***	− 0.623***
	(− 5.546)	(− 5.568)	(− 5.512)	(− 5.570)	(− 5.513)	(− 5.553)	(− 5.509)
Board	− 0.131*	− 0.132*	− 0.131*	− 0.131*	− 0.131*	− 0.131*	− 0.131*
	(− 1.736)	(− 1.749)	(− 1.742)	(− 1.739)	(− 1.741)	(− 1.746)	(− 1.744)
Indep	− 1.396***	− 1.388***	− 1.406***	− 1.387***	− 1.406***	− 1.385***	− 1.406***
	(− 6.221)	(− 6.177)	(− 6.256)	(− 6.173)	(− 6.256)	(− 6.163)	(− 6.256)
Duality	− 0.013	− 0.013	− 0.013	− 0.013	− 0.013	− 0.013	− 0.013
	(− 0.569)	(− 0.559)	(− 0.559)	(− 0.555)	(− 0.559)	(− 0.555)	(− 0.561)
Constant	− 4.206***	− 4.050***	− 4.074***	− 4.056***	− 4.074***	− 4.052***	− 4.073***
	(− 7.491)	(− 7.225)	(− 7.256)	(− 7.235)	(− 7.256)	(− 7.230)	(− 7.252)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs	25667	25667	25667	25667	25667	25667	25667
Adj.R^2	0.476	0.477	0.476	0.477	0.476	0.477	0.476

Column 1 reports the effect of the number of portfolio firms (within the industry) owned by common owners (*CIO_firms*) on CSR decoupling using the panel fixed-effect model. Columns 2, 4, and 6 report the effects of long-term common owners on CSR decoupling. Columns 3, 5, and 7 report the effects of short-term common owners on CSR decoupling. The indicators of common institutional ownership are the dummy variable of whether there is common institutional ownership (*CIO_if*), number of common owners owned by the firm (*CIO_num*), and number of shares held by common institutional investors (*CIO_share*). The main interested dependent variable is *CSRD*, which is the gap between CSR disclosure and performance. *$p<0.10$, **$p<0.05$, ***$p<0.01$. Robust *t*-statistics in (). All relevant variables are defined in Appendix A

investors and provides a novel intersection of financial practices and business ethics.

Cheng et al. (2022) suggest that the anti-competitive effects of common ownership may reduce firms' incentives to fulfill CSR commitments based on U.S. sample data. CSR decoupling is different from CSR itself as it creates greater negative externalities within industry peers. Specifically, negative news is more likely to spread among investors than positive information, leading to stock price risks (Bebbington et al., 2017; Hope et al., 2017). DesJardine et al. (2023) show that managing systemic risk is a greater challenge for common owners than manipulating competitive dynamics. Set within the context of China, our study goes beyond focusing on anti-competitive dynamics and finds that common owners are motivated to coordinate the governance of CSR decoupling to manage the negative externality risks of unethical behavior. This contributes to the emerging literature on how common ownership influences corporate ethical decision-making. We identify the key role of common owners in governing CSR decoupling through specific channels such as the delegation of executives and exit threats. This governance is particularly important for firms in emerging economies such as China, where ownership is often highly concentrated and internal controls are weak (Marquis & Qian, 2014). More importantly, unlike the study of Cheng et al. (2022), we reveal how common ownership as an informal institution can complement weak formal institutions to effectively monitor CSR decoupling behaviors in the Chinese context. Overall, our study enriches the understanding of how common owners affect corporate moral behavior in emerging markets, as previous research has primarily focused on developed economies.

Second, this paper extends the application of agency theory to the field of corporate ethical responsibility and contributes to the monitoring mechanism of corporate unethical behavior. We propose the coordinated governance and collusive fraud hypotheses of CSR decoupling by common owners based on the Type I and Type II agency problems, respectively. Our findings ultimately reveal that common owners can mitigate agency conflicts between shareholders and managers by strengthening control mechanisms over agents, thereby ensuring the alignment of CSR disclosures and performance. This study validates the coordinated governance hypothesis and emphasizes the potential advantages of common institutional ownership for ethical monitor in transition economies, thereby enriching the application of agency theory in modern corporate management.

Finally, we combine China's unique institutional context to make ethical contributions to business ethics research in emerging markets. In China's government-dominated SOEs, their business ethics decisions rely more on policy orientation than on market constraints (de Pilla et al., 2024). This study finds that non-SOEs—being subject to stronger market-driven pressures—are more closely monitored by common owners for potential unethical conduct. Unlike developed economies, China's policy-constrained institutional environment reinforces the reputation and policy signal sensitivity of CSR-intensive firms, amplifying the governance effect of CIO on decoupling. The presence of such administrative barriers and reliance on informal constraints from the market and stakeholders deepen our understanding of the boundaries of CIO governance in transition economies. We also find that in China's less efficient legal environment, CIO are more effective in governing unethical CSR behavior. Due to the weak and unenforced legal regulations in China, there are limitations in the governance of corporate self-interested behavior through formal institutional arrangements (Yoshikawa et al., 2014). We highlight that common ownership, as an emerging equity model, can strengthen market constraints and regulate managers' self-interested motivations regarding CSR issues, especially in the absence of a robust legal system. When internal and external governance is weak, the CIO can function as an alternative governance mechanism to constrain the CSR decoupling behavior. This contributes to understanding the role of common ownership as an informal institutional governance in shaping corporate ethical behavior in emerging markets.

Our study also has certain managerial and practical implications. Given the critical role of CIO in governing unethical behavior, it is necessary to actively introduce and support the involvement of common institutional investors in corporate governance. Managers need to place greater emphasis on aligning their interests with those of common owners and dynamically adjust their ethical decisions, particularly in CSR-intensive firms. In addition, we have clarified the effectiveness of CIOs in governing decoupling in non-SOEs, highlighting the necessity of improving the protection mechanisms for common owners in these firms. In the context of low enforcement efficiency in emerging markets, the government can leverage the informal mechanism of common ownership to complement the shortcomings of formal institutions. Specifically, at the policy level, the government can promote long-term common shareholding and enhance its effectiveness in governing CSR decoupling by implementing measures such as improving the shareholder litigation system and encouraging the delegation of executives.

This study has several limitations that can be explored in future. First, future research can explore how common ownership affects corporate decoupling behavior across different dimensions of environmental, social, and governance factors. Second, due to differences in institutional and capital market environments, the conclusions drawn from this study, which is based on the Chinese context, may not be directly applicable to developed economies. Comparative studies using multinational data may provide a more comprehensive understanding of how financial institutions

influence corporate ethical behavior. Finally, future research can directly test the main hypothesis of this paper by using portfolio return models to measure the returns generated by common ownership's governance of CSR decoupling.

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Data availability All data are publicly available from sources identified in the text.

Declarations

Conflicts of interest The authors declare no competing interests.

Research Involving Human and Animals Participants There are no humans and/or animals involved in this study.

Informed Consent Informed consent was obtained from all individual participants included in the study.

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