Received: 5 March 2022 | Revised: 11 June 2022 | Accepted: 27 June 2022
DOI: 10.1002/csr.2349

RESEARCH ARTICLE

Corporate Social Responsibility and Environmental Management
WILEY

Does board capital enhance corporate social responsibility disclosure quality? The role of CEO power

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Abstract

This paper examines the relationship between board capital attributes and corporate social responsibility disclosure (CSRD) quality and how CEO power moderates the association between board capital attributes and CSRD quality. Using a cross-sectional sample of 114 firms, we find that directors' experience and directors' interlocking have positive impacts on CSRD quality while directors' political ties have a significant negative impact on CSRD quality in Saudi firms. Contrary to our hypotheses, we find no support for the impacts of directors' education, directors' expertise, and board nationality on CSRD quality. Moreover, we find partial support for the moderation effects of CEO power. Overall, we theoretically highlight the roles of resource dependence theory and agency theory in enhancing CSRD quality.

KEYWORDS
agency theory, board capital, CEO power, CSRD quality, resource dependence theory

JEL CLASSIFICATION
M14, M41, O16

1 | INTRODUCTION

Nowadays, companies are getting increasingly involved in the disclosure of societal and environmental activities through annual reports and specific corporate social responsibility reports to satisfy relevant stakeholders (i.e., environmental groups, consumers group, and government groups) (Ali & Frynas, 2018; Brunk & de Boer, 2020). CSR disclosure reflects the environmental impact of a company's information on social responsibility and its relationship with the company's stakeholders, presented through a communication channel (Campbell, 2004; Gray et al., 2001). This disclosure is often driven by the firm's characteristics and labour practices (e.g., sustainable products) to satisfy environmental stakeholders and consumer groups.

Corporate social responsibility, as a business issue has recently been discussed in Saudi Arabia and other GCC countries. The Saudi government is encouraging companies to undertake CSR measures in serving societies at large. The UN Global compact principle has also become popular among large companies in Saudi. In a bid to ensure that Saudi firms are socially responsible, several regulations were enacted on social responsibility in the Saudi Corporate Governance regulations (SCGR) 2007 and 2017 for listed and non-listed firms doing business in the country. Article 87 of SCGR describes the social responsibilities of firms listed under Part 8 on professional and ethical standards. The article states that upon the recommendations of the board of directors, the firm should establish policies and strategies that will ensure a trade-off between the objectives of the firm and that of the community. The goal of Saudi firms to be socially responsible is to develop social and economic values that would be of benefit to the society and community (Saudi Corporate Governance Regulations, 2017). The enactment of the SCGR 2017 regulations has influenced the increasing level of CSR disclosure among firms especially those in the banking and petroleum sectors in Saudi Arabia (Habbash, 2016; Mahjoub, 2019).

The debate in CSR literature in Saudi can be grouped into two streams: the CSRD quantity and CSRD quality streams. The first stream of researchers focuses on CSRD quantity with less attention on CSRD quality in Saudi firms. For instance, Al-Gamrh and Al-dhamari (2016) studied the impact of firm characteristics (e.g., firm size, industry type, and firm age) on CSR disclosure level. The authors found a low level of CSR disclosure and a lack of awareness by investors on the importance of CSR information. Another study in the Saudi context investigated the drivers of CSRD quantity without examining the quality aspect (Habbash, 2016). Habbash (2016) reported about 24% disclosure level, quite higher than the 14.61% and 16% reported in Al-Janadi et al. (2013) and Macarulla and Talalweh (2012), respectively. Habbash (2016) argued that the rise in disclosure rate to 24% reflected the adoption of the SCGR of 2007.

The second stream of CSR studies addresses CSRD quality. This stream is more concerned with how corporate governance (CG) mechanisms enhance CSRD quality (Hassn, 2014; Jizi et al., 2014; Maali et al., 2021). In the United States, Jizi et al. (2014) investigated the impact of board independence, board size, and CEO duality on CSR disclosure in US commercial banks. Similarly, Maali et al. (2021) examined the impact of the CG index and CSR on sustainability performance in the United Kingdom. Board size, nonexecutive directors, CSR committee, and block ownership were found to impact CSR disclosure in FTSE 100 and FTSE 250 companies (Hassn, 2014). Meanwhile, a review of studies on CSR disclosure in the Saudi Arabian context shows that board size, board independence, board gender diversity, committee size, government ownership and remuneration committee size impact CSRD quantity (Alotaibi & Hussainey, 2016a; Habbash, 2016; Issa & Fang, 2019). These studies have a few limitations. First, they focus extensively on CG factors with less on the board capital attributes. Second, they emphasize on quantity aspect of CSR disclosure without addressing CSRD quality. Hamdan (2018) noted the importance of board capital in Saudi Arabia firms, positing that the business environment in Saudi Arabia is characterized by high dependence on relational networks and the presence of inter- and intrasectoral linkages among Saudi conservative firms. Alotaibi and Hussainey (2016a, 2016b) support that the CSRD quality level is very low among Saudi Arabia firms, buttressing the arguments of Issa and Fang (2019) that corporate governance mechanisms are not enough to drive CSRD quality. Hence, the need for the resource provision role of directors to further improve CSRD quality.

The significance of resource provisioning and resource monitoring in increasing the level of CSR disclosure have theoretical and empirical backings (Dalziel et al., 2011; Yuen & Lim, 2016). Pfeffer and Slancik (1978) noted that the firm can increase its performance and reduce the transaction expenses of the firm's activities (i.e., CSR disclosure) by appointing directors with enormous resources (i.e., education, experience, expertise, political ties). Consequently, firms with high levels of social and human capital provide high-quality resources and services (Davidsson & Honig, 2003) since a lack of access to resources affects CSRD quality (Yuen & Lim, 2016). According to Hillman and Dalziel (2003), the monitoring role of directors cannot enhance board effectiveness in corporate decision-making alone. Firms must combine the dual role of resource provisioning and monitoring to be better effective. Thus, the need to integrate the resource dependence theory and agency theory to enhance directors' effectiveness in corporate decisions including activities relating to CSRD quality.

The study is motivated by the low level of CSRD quality disclosed by Saudi firms (Al-Janadi et al., 2013; Habbash, 2016; Macarulla & Talalweh, 2012) and the low ranking of Saudi Arabia in the Global Sustainability Index (GSI) in intellectual and social capital. A cross-sectional analysis of the GSI shows that Saudi Arabia is ranked low among Arab countries, that is, UAE and Oman, and among developed countries (SolAbility Sustainable Intelligence, 2019). Also, the research gap in studies on CSRD quality motivates the study's objectives. For instance, Nalband and Al-Amri (2013) submit that low CSRD quality practice is common among firms in developing countries. CG studies in Saudi firms report a low CSRD quality (Al-Janadi et al., 2013; Alotaibi & Hussainey, 2016b), requiring more resource provisions than resource monitoring mechanisms to determine CSRD quality. Therefore, the study examines the impact of board capital on CSRD quality. It also examines the moderating role of CEO power on the relationship between board capital attributes and CSRD quality, consistent with the argument of Hillman and Dalziel (2003) that corporate boards are more effective in decision-making when they use both individual resources (e.g., experience and interlocking) and monitoring mechanisms (i.e., CEO power).

The contribution of this paper is fourfold. First, this study emphasizes that board capital impacts firms' CSRD quality. The study contends that researchers on CSR need to go beyond corporate governance mechanisms to determine CSRD quality and embrace board capital attributes. This supports prior research that board governance does not fully explain the complexity of social relationships among directors (Combs et al., 2007). Second, the study contributes by considering a better measure of CSRD quality characterized by relevance, comparability, understandability, and faithful representation (Habek, 2017) rather than a list of CSR activities to increase the value of shareholdings.

Third, this study contributes by using CEO power as a resource monitoring mechanism. We find support for the moderating role of powerful CEOs in improving CSRD quality because resource monitoring along with resource provisions enhances board effectiveness in corporate decisions such as those related to CSRD quality (Hillman & Dalziel, 2003). Fourth, we provide a contextual measure of CEO power. Our measure of the CEO power index excludes CEO duality due to the abrogation of CEO duality in the revised Saudi CG regulations 2017. We find that CEO power (without CEO duality) has contrary findings to past studies (i.e., Ramón-Llorens et al., 2019) that measured CEO power as an index of CEO ownership, CEO tenure, and CEO duality. For instance, we find that CEO power significantly moderates the relationship between political ties and CSRD quality. It implies that CEO duality is detrimental to stakeholders' needs and CSR decisions.

The rest of the paper is organized as follows. Section 2 discusses the underlying theories and hypotheses development. Section 3 presents the data and methods. Section 4 presents and discusses the results. Section 5 concludes the paper.

2 | THEORETICAL FRAMEWORK

2.1 | Resource dependence theory

From the perspective of the resource dependence theory, corporate boards provide board capital attributes as resources required to manage the social challenges, external environment dependencies, natural environmental issues, and other uncertainties (i.e., the Covid-19 Pandemic) to explain the impact of the board directors on CSR disclosure and firm performance (Hillman et al., 2000a; Mallin et al., 2013; Pfeffer & Slancik, 1978). Hence, directors do have the capabilities and resources (experience, education, expertise, board nationality, political ties, and interlocking) to implement CSR activities to improve CSRD quality characterized by completeness and reliability (Reverte, 2009).

The resource dependence theory states that firms bring directors with different specializations who possess board experience as a resource that can facilitate advice and counseling (Hillman & Dalziel, 2003). Firms with a board of directors that are more experienced are better at providing resources for the management of several stakeholders' needs and demands (Dalton et al., 1999), suggesting that such an experienced board will positively influence board functions including CSRD quality.

Organization resources through directors' social and human capital can either strengthen or weaken the firm performance (Wernerfelt, 1984). Directors contribute less to firm performance when they are less educated and may not perform their board functions effectively such as CSRD-related activities. Directors who possess only bachelor's degrees contribute less than those who possess master's and doctorate degrees. Thus, directors' education is perceived as a resource to strengthen board functions especially when most of the board members possess high than or equivalent to bachelor's degrees.

Also, board expertise can strengthen board functions toward enhancing the firm performance (Hillman & Dalziel, 2003). The theory posits that directors' expertise is directly related to the resources provision role of the board because board members who are experts are professionals in better achieving the firm's goals, including those related to CSR disclosure (Gales & Kesner, 1994). Moreover, board members with diverse backgrounds and executive experience show a higher level of social and human capital, which in turn, encourages the implementation of CSR activities (such as Shropshire, 2010; Westphal, 1999). Concerning board nationality, the theory assumes that foreigners on board bring foreign resources that can further enhance the firm's competitive strength in the local and international market. Thus, the firm's possession of foreign directors would have positive effects on board functions in ensuring CSRD Quality (Gul et al., 2011; Muttakin et al., 2015).

Political ties have been found to have positive effects on CSRD quality when directors know the social issues that affect the firm (i.e., Mallin et al., 2013). However, CSR scholars have argued that political ties rather than strengthening the firm performance, further decline it (i.e., Ramón-Llorens et al., 2019). Thus, resource dependence theory concerning political ties is seen to weaken CSRD quality.

The resource dependence theory assumes that relational or social capital like interlocking positively affects the firm (Hillman & Dalziel, 2003). The theory states that directors' interlocking can reduce information asymmetry thereby increasing the diffusion of innovation across firms in a way to enhance performance. Useem (1984) noted that the director's interlocking enhances environmental sustainability and environmental scanning, and facilitates access to strategic information. Thus, within the proposition of the resource dependence theory, directors' interlocking is a resource that can strengthen the CSRD quality of firms.

2.2 | Agency theory

Agency theorists posit that the behaviors of directors are needed to be monitored and controlled to prevent personal interests' goals (Jensen & Meckling, 1976). The agency theory assumes that CEO power can influence directors' resources in improving the quality of CSR disclosure. The agency theory posits that powerful CEOs with better experience are more likely to complement the experience of the directors to perform effectively. CEOs who have significant ownership in the firm are more likely to use their monitoring role to ensure that the resources provided by directors are effectively and efficiently utilized to meet shareholders' goals including CSRD quality. This implies that the monitoring role of CEOs could further increase the influence of directors' experience on CSRD quality.

CEOs can reduce the agency cost related to board educational diversity by exercising their monitoring role to ensure that the right decisions concerning CSR activities and disclosure are well taken and implemented. Gavin (2014) argued that directors are diverse in their educational level and such diversity can contribute less to CSRD quality. Powerful CEOs with a good compensation plan would ensure that the high diversity in directors' education does not jeopardize CSRD quality, which can further reduce the firm performance.

In line with the agency theory assumption, the expertise of CEOs helps them to perform well in their monitoring role (Hillman & Dalziel, 2003). CEOs who have specialized expertise in understanding the internal and external environment are more likely to enhance firm performance (Carpenter & Westphal, 2001), and thus, engage more in activities that would ensure CSRD quality. The agency theory states that the dual resources of directors' expertise and that of the CEOs would enhance the strategy implementation of ideas that can ensure improved performance.

Powerful CEOs and the link with board nationality can also be explained under the agency theory. Recruiting international board members to the organization may help to safeguard foreign assets and resources towards achieving competitive advantage (Rivas, 2012; van Veen et al., 2014). CEOs' incentives enable them to utilize the firm resources effectively (Hillman & Dalziel, 2003). Contrarily, CEOs may believe that appointment of foreign directors may not lead to the elongation of their tenures and may act less in the interests of shareholders to bring foreign nationalities on the board due to the benefits they gain from their long tenure (Estélyi & Nisar, 2016). Thus, CEOs may act negatively in the presence of board nationality. So, CEOs might see board nationality as disrupting their incentives for increased tenure than higher CSRD quality.

The agency theory also assumes that CEOs with political connections may add value to the firm and should be considered when employing CEOs (Wu et al., 2018). Agency theorists assume that the behaviors of directors are needed to be monitored and controlled, to prevent any inappropriate action not serving firm interests (Jensen & Meckling, 1976). Therefore, powerful CEOs often insulate directors from disciplining and controlling forces (Fama & Jensen, 1983) by cutting off interlock ties (Zajac & Westphal, 1996), which restricts board directors' potential in investing in CSR activities. Consequently, the positive relationship between directors' interlocking and CSRD quality will be more pronounced when CEO has low power.

3 | LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

3.1 | Directors' experience and CSRD quality

The theoretical assumption of the resource dependence theory assumes that the firm's resources are also a composition of different experiences of directors (Hillman & Dalziel, 2003). According to Hillman et al. (2000), directors' experience describes board members who know based on their previous experience as executives of other firms provide abilities, skills, and knowledge. This previous experience would have positive effects on the decision-making process in the directors' current firms. Therefore, experienced directors bring human capital to the boards especially when nonfinancial and nonbusiness decisions (such as CSR reporting) have to be made (Bear et al., 2010; Zahra & Pearce, 1989). Experienced directors, according to the theory, are better at achieving the resource provision role of board effectiveness (Dalton et al., 1999), and such specializations are required in formulating and implementing CSR goals (Chang et al., 2017).

Prior evidence reveals a link between directors' experience and CSR disclosure (Said et al., 2013). Said et al. (2013) investigated Malaysian firms using hierarchical regression on the nexus between board background experience and environmental reporting, an aspect of CSR disclosure. The authors found a significant negative relationship between the board of directors with finance and law backgrounds and CSR disclosure, suggesting that finance and law backgrounds are not necessary to drive or enhance environmental reporting in Malaysian firms. Reeb and Zhao (2013) further argue that directors with experience facilitate board oversight and improve board efficacy, thus enhancing the quality of sustainability disclosure. In the Bangladesh setting, Muttakin et al. (2018) found that directors' experience (as a measure of board capital) improves CSR practices and affects CSR reporting positively. Thus, we hypothesized that:

> **H1.** There is a positive relationship between directors' experience and CSRD quality.

3.2 | Directors' education and CSRD quality

Diversity in education levels could also provide diverse resources necessary to implement CSR initiatives as posited by the resource dependence theory. Directors having a higher education status such as Master of Business administration and law degrees are more important to understand strategic CSR decisions and importantly the environmental and legal implications of their CSR initiatives. The level of education reflects an individual's intelligence and competence (Hambrick & Mason, 1984).

A director is expected to be a well-educated individual, with the ability to evaluate financial reports (Hermawan, 2011), counsel and ask tough questions (Barton et al., 2004), and provide a rich source of innovative ideas that would lead to a unique perspective on strategic issues (Westphal & Milton, 2000 as cited in Post & Byron, 2015). Moreover, the market tends to react positively to companies that appoint directors with professional qualifications (Yermack, 2006).

Prior studies presented inconclusive findings on directors' education and CSR disclosure. Using probit regression, Fernández-Gago et al. (2018) found a negative relationship between director's education and CSR disclosure in Spanish nonfinancial firms. The finding supports Chang et al. (2017) who also found a negative relationship between directors' educational backgrounds and CSR disclosure among Korean firms, due to Korean firms' collectivistic culture as against the individualistic culture in the Western countries where social identity and social virtues are less. Contrarily, Katmon et al. (2019) found a significant positive impact of directors' education level on CSRD quality in Malaysian firms from 2009 to 2013. Based on this review, we hypothesized that:

> **H2.** There is a positive relationship between directors' education and CSRD quality.

3.3 | Directors' expertise and CSRD quality

Shareholders and several stakeholders may react positively to the appointment of directors who are business experts, given their prior executive experience. Due to their quality skills and industry backgrounds to identify threats and opportunities, they can make relevant strategic decisions, and bring quality information to share with other board members (Dass et al., 2014; Jones et al., 2008). Thus, board effectiveness improved when board members play their enhanced supervisory roles.

Findings on the link between directors' expertise and CSRD quality are mixed. Rupley et al. (2012) found a negative effect of board expertise on voluntary environmental disclosure among firms in the Dow Jones Stock in the United States. The authors argued that despite the significance of board expertise, voluntary environmental disclosure decreases when institutional investors are more concerned with environmental media in the United States rather than board characteristics. Female directors with low expertise in developing countries influence CSR voluntary disclosure negatively (Muttakin et al., 2015).

Contrarily, Muttakin et al. (2015) found a positive relationship between a director's expertise and CSR disclosure, stating that foreign directors with diverse and valuable expertise seek higher CSR disclosure. Directors with accounting experts serve to reduce corruption and earnings manipulations in the firm while ensuring the implementation of all types of disclosure, supporting a positive effect of directors' expertise on CSR disclosure (Masud et al., 2019). Muttakin et al. (2018) established a positive relationship between board expertise and several disclosure types (community, employee, environment, and product) among Bangladesh firms. The effect of board expertise is higher for environmental and value-related disclosures (Muttakin et al., 2018). Furthermore, Thomas and Simerly (1995) provide evidence that managers with prior expertise and knowledge acquired in other organizations show more sensitivity towards stakeholders' needs and CSR-related activities. Additionally, audit committee directors with financial expertise have a positive impact on environmental and sustainability disclosure in UK firms (Ekara Helfaya & Moussa, 2017). Hence, we hypothesized that:

> **H3.** Directors' expertise has a positive relationship with CSRD quality.

3.4 | Board nationality and CSRD quality

Firms benefit from foreign directors on boards (Randøy et al., 2006). In the local business environment where there is a growing trend of globalization, appointing foreign directors on the board would ensure business expansion due to the large pool of capital brought into the firm. In addition, foreign directors tend to exhibit independent thinking and bring different viewpoints to the boardroom because of their various backgrounds and experiences (Fang et al., 2020; Gul et al., 2011).

The demands for quality disclosure can also be generally higher when foreigners hold board positions due to the geographic separation between management and owners (Schipper, 1981). Barako and Brown (2008) found no association between foreign directors on the board and CSRD quality in the Kenyan banking sector. In another view, Elsakit and Worthington (2014) suggest that foreign directors can have a negative influence on CSR disclosure and might downplay the importance of social disclosure. Also, communication between different nationalities is not very effective and discussion often less fruitful than expected due to language barriers and cultural factors (Miletkov et al., 2014). Thus, diversity in board nationality may reduce the quality of CSR (Katmon et al., 2019).

Meanwhile, diversity in board nationality exposes directors to international knowledge and commits them to protect the interests of the society, which in turn, influences CSR disclosure (Katmon et al., 2019; Muttakin et al., 2015). Hence, we hypothesized that:

> **H4.** Board nationality has a positive relationship with CSRD quality.

3.5 | Directors' political ties and CSRD quality

Scholars have documented the relevance of political ties to the social reporting of firms (Hillman & Keim, 2001; Mallin et al., 2013). Political ties of directors positively affect CSR disclosure because top directors have a higher orientation towards social issues that could enhance the firm's CSR quality (Mallin et al., 2013). In contrast, Chen et al. (2011) and Ramón-Llorens et al. (2019) found a negative relationship between political ties and CSR disclosure. In China, firms' corrupt scandals including the appointment of political directors have led to managerial opportunism behavior by using political resources to the detriment of stakeholder value (Chen et al., 2011). Similarly in Spanish firms, political directors review less information to safeguard their reputation and thus undermine CSRD quality and earnings information (Bona-sánchez et al., 2014; Habbash & Haddad, 2020).

In the Korean setting, Chang et al. (2017) found a U-shape relationship between directors' ties and CSR disclosure, claiming cultural and institutional factors as the drivers of the U-shape effects. Chang et al. (2017) noted that the Korean case is different from findings from Western countries like the United States because Korean outside directors are less inclined to CSR disclosure decisions. Agency theorists support those excessive social ties have detrimental effects on CSR and reduce the social independence of outside directors (Kim, 2005). This review confirms less evidence on the link between political ties and CSRD quality. Motivated by prior studies that established a negative relationship between CSR disclosure and directors' ties (Chen et al., 2011; Ramón-Llorens et al., 2019), this study hypothesized that:

> **H5.** Political ties have a negative relationship with CSRD quality.

3.6 | Directors' interlocking and CSRD quality

Directors' interlocking or multiple directorships allow directors to be affiliated with other companies. Agency theorists posit that multiple directorships increase monitoring quality as more networks are expected to generate benefits due to the diffusion of needed resources (Fama & Jensen, 1983). Thus, these directors could help to attenuate agency costs and improve the quality of CSR disclosure.

Empirically, Mindzak (2013) found a negative relationship between interlocked boards of directors and voluntary disclosure among Canadian listed firms using regression analysis, suggesting that Canadian firms limit the responsibilities of directors' interlocking due to accounting disclosure issues. In contrast, Razek (2014) found a positive relationship between multiple directorships and CSR disclosure among Egyptian firms. Contrary, an insignificant relationship between board interlocks and CSR disclosure is documented among 255 directorships across 20 listed firms in France since multiple directorships play two opposing roles; consultation role and entrenchment opportunism (Barka & Dardour, 2015). Meanwhile, Bizjak et al. (2009) found positive nexus between interlocking directorships and voluntary environmental disclosure, stating that directors with experience of stock option backdating for instance, in other firms would perform better on multiple boards and thus improve the quality of environmental disclosure. Based on this review, it is hypothesized that:

H6. Directors' interlocking has a positive relationship with CSRD quality.

3.7 | Moderating role of CEO power

The monitoring role of CEOs is relevant for board effectiveness (Hillman & Dalziel, 2003). CEOs can enhance the firm's sustainability goals following their incentives, tenure, and duality role (Jizi et al., 2014). CEO power has been examined as a moderating role in a different setting. For instance, Chen (2014) found a combined effect of experience and CEO power has positive effects on the research and development investment of electronics firms in Taiwan. This finding contradicts the results of Muttakin et al. (2018) who found an insignificant weak correlation between board experience and CEO power, positing that CEO power inhibits the role of board experience on firm performance.

Directors who have diversified experience help to improve the adverse relationship between family CEOs and firm values (Sitthipongpanich & Polsiri, 2015). The authors noted that the managerial abilities of family CEOs are important to reduce the destructive nepotism and potential expropriation of minority shareholders in family CEOs-owned firms. Thus, it is hypothesized that:

H7. The positive relationship between directors' experience and CSRD quality in Saudi non-financial firms is more pronounced when the firms have high CEO power than when the firms have low CEO power.

Meanwhile, in line with the resource dependence theory, Chen (2014) revealed that the board's level of education and CEO power has a positive relationship with board functions in Taiwan firms. Gavin (2014) argued that demographic similarity between the directors and CEOs results positively in the nexus between the background education of directors and powerful CEOs. The high capacity of information processes among directors and powerful CEOs often results in greater demographic similarity (Gavin, 2014). Conversely, Uddin and Choudhury (2008) stated that when CEOs influence the appointment of directors to the board, the knowledge of the board becomes less important, and as such does not protect stakeholders' interests. Muttakin et al. (2018) posited a negative relationship between education of the board and CEO Power when CEOs have much influence in the appointment of board directors and vice versa. It is hypothesized that:

H8. The positive relationship between directors' education and CSRD quality in Saudi non-financial firms is more pronounced when the firms have high CEO power than when the firms have low CEO power.

Concerning board expertise, several studies have measured or captured board expertise into board capital. Haynes and Hillman (2010) measured board expertise in terms of board capital breadth. Using sampled firms in S&P 500 and regression technique, Haynes and Hillman (2010) found a positive correlation between board expertise and CEO power in S&P firms, indicating that the expertise of the CEO may complement the experience of board directors, which might lead to long tenure for the CEO due to their ownership stake.

Studies have established a negative relationship between board expertise and CEO Power. Horner (2013) stated that greater board expertise reduces board reliance on the CEO since the board has enough expertise to seek and source information which can be well analyzed by them for business use. The reliance of the board on their expertise to analyze business information helps them to focus on the operational affairs of the board while leading the important strategic role of the CEO (Horner, 2013). This wide gap between CEOs' roles and board affairs following the distinct expertise of the CEO and board may lead to a negative relationship. Thus, it is hypothesized that:

H9. The positive relationship between directors' expertise and CSRD quality in Saudi non-financial firms is more pronounced when the firms have high CEO power than when the firms have low CEO power.

Board nationality may be another distinct source of individual competence that adds to the wealth of board capital and that may also influence the quality of board decisions. While the information and knowledge about different national regulatory regimes are useful assets to the firms, it is expected that as firm operations increase multinationally, the heterogeneity in board governance increases as well. Estélyi and Nisar (2016) assert that CEOs' preferences may be important in the selection of foreign directors or non-local directors on the board. CEO power may influence CEOs' decisions on whether to expand the firm's resource base by employing different nationality directors. This suggests that CEO power may play a fundamental role in board-level appointments (Estélyi & Nisar, 2016).

Within the context of CEO power, more powerful CEOs may override the positive influence of the resources of the board with diverse nationalities, and thus it is more likely that the influence of the board nationality may not overpower the CEO's power but may reduce the contributions of foreign directors to enhance CSRD quality. In the situation where CEOs are less powerful in their duties and responsibilities, there is a higher probability that the company would employ foreign directors on the board to further enhance performance (Estélyi & Nisar, 2016). Thus, powerful CEOs may discourage the appointment of foreign directors on board. Thus, it is hypothesized that:

H10. The positive relationship between board nationality and CSRD quality in Saudi non-financial firms is more pronounced when the firm has low CEO power than when the firm has high CEO power.

Researchers have documented a positive link between political ties and CEO Power (e.g., Westphal, 1999). Westphal (1999) argued that powerful CEOs affect the independence of directors' political ties by influencing the director selection process. In turn, these influenced directors appoint CEO friends and associates to constitute the board and as such have an overall negative effect on firm performance. This finding provides evidence of a positive relationship between directors' political ties and CEO power where CEOs are involved in the selection of directors on the board. Sitthipongpanich and Polsiri (2015) found a positive relationship between board political ties and family CEO power. The limited resources and capabilities among family CEOs may be complemented by the social networks of the board, thus making family CEOs more linked to directors' political ties outcomes (Sitthipongpanich & Polsiri, 2015). Similarly, Bunkanwanicha and Wiwattanakantang (2009) also documented a positive link between political ties and firm values in family CEOs-controlled firms. The authors argued that directors connected to governments and political actors have a positive relationship with powerful family CEOs. Based on this review, it is hypothesized:

> **H11.** The negative relationship between directors' political ties and CSRD quality in Saudi non-financial firms is less pronounced when the firm has high CEO power than when the firm has low CEO power.

Concerning directors' interlocking, many prior studies presented negative results on the relationship between directors' interlocking and CEO power. In the study of Taiwan firms, there is a weak positive correlation between directors' interlocking and CEO power (Chen, 2014). Zajac and Westphal (1996) found that there is a negative significant impact of directors' interlocking following discrete changes on the power of the CEO in US corporations. It suggests that the role of directors' interlocking in changing board strategy and structure will reduce the power of CEOs which can subsequently lead to changes in board appointments.

Haynes and Hillman (2010) revealed a weak correlation between directors' interlocking and CEO power. This weak positive correlation may largely be due to the heterogeneity in board capital dynamics and interlocking. Higher heterogeneity differences in board interlocking may impact the firm's strategic change and performance even when powerful CEOs are important to the firm's success (Haynes & Hillman, 2010; Hillman & Dalziel, 2003). Multiple directorships result in less board capacity, entrenched boards and complacent boards. In the presence of low board capacity, powerful CEOs exercise their power to monitor board effectiveness (Horner, 2013). Thus, it is hypothesized that:

> **H12.** The positive relationship between directors' interlocking and CSRD quality in Saudi non-financial firms is more pronounced when the firm has low CEO power than when the firm has high CEO power.

4 | EMPIRICAL ANALYSES

4.1 | Research approach

This study adopts the quantitative approach to analyze the relationship between board capital attributes and CSRD Quality because it fits to investigate the cause-effect relationship. We sourced data from the firms' 2018 annual report (available on the website of Saudi Stock Exchange—Tadawul), firms' website, and board of directors' reports using content analysis. A cross-sectional study is considered since the time frame captured is at a single time (i.e., the year 2018). The selection of the year 2018 is to assess the revised Saudi Regulations of Corporate Governance 2017. This would help to know whether the performance of Saudi non-financial listed firms concerning CSRD quality has improved when compared to prior research carried out before the 2017 Saudi Regulations of Corporate Governance.

4.2 | Sampling selection

We select our sample (nonfinancial firms) using the purposive sampling approach via using some inclusion and exclusion criteria (Sekaran & Bougie, 2013). The use of purposive sampling has been used in past studies on CSR disclosure (e.g., Tan et al., 2016).

The inclusion criteria were used in arriving at the final sample of 114 firms. The inclusion criteria involve (1) active firms listed on the Saudi Stock Exchange (Tadawul) as it is mandated for listed firms to file and publish annual financial statements, (2) firms that are established before the year 2017, (3) firms that report CSR-related activities in the annual reports, and (4) firms having enough data on the variables of this study.

Moreover, the study observes some exclusion criteria. First, we exclude all financial firms involving those in these sectors: banking, insurance, Financial Services, Real Estate Management and Development, and Real Estate Investment Trusts due to their accounting principles and guideline that may influence their CSR reports. Second, firms whose annual reports are missing should also be excluded. Third, dead non-financial firms that have been taken over, liquidated, and/or involved in mergers and acquisitions were excluded. Fourth, we exclude firms established in 2018, which is the sample period of this study.

Following the inclusion and exclusion criteria, details of the final sample for the study are presented in Table 1.

4.3 | Model specification

The relationship between board capital attributes and CSRD Quality is presented in an empirical form to enable the test of research hypotheses. This section presents two empirical models. Equation 1 shows the relationship between CSRD quality, attributes of board capital and two control variables: firm size and firm age. Meanwhile, Equation 2 provides the moderating effect of CEO power on board capital attributes and CSRD quality.

$$\begin{aligned}\mathrm{CSRDQ}_i = {} & \beta_0 + \beta_1 \mathrm{EXP}_i + \beta_2 \mathrm{EDU}_i + \beta_3 \mathrm{EXPRT}_i + \beta_4 \mathrm{NATION}_i - \beta_5 \mathrm{POLT}_i \\ & + \beta_6 \mathrm{INTERL}_i + \beta_7 \mathrm{SIZE}_i + \beta_8 \mathrm{AGE}_i + \beta_9 \mathrm{Industry\ Dummies}_i \\ & + \varepsilon_i \end{aligned} \tag{1}$$

$$\begin{aligned}\mathrm{CSRDQ}_i = {} & \beta_0 + \beta_1 \mathrm{EXP}_i + \beta_2 \mathrm{EDU}_i + \beta_3 \mathrm{EXPRT}_i + \beta_4 \mathrm{NATION}_i - \beta_5 \mathrm{POLT}_i \\ & + \beta_6 \mathrm{INTERL}_i + \beta_7 \mathrm{SIZE}_i + \beta_8 \mathrm{AGE}_i + \beta_9 \mathrm{EXP}_i * \mathrm{CEOP}_i \\ & + \beta_{10} \mathrm{EDU}_i * \mathrm{CEOP}_i + \beta_{11} \mathrm{EXPRT}_i * \mathrm{CEOP}_i + \beta_{12} \mathrm{NATION}_i \\ & * \mathrm{CEOP}_i - \beta_{13} \mathrm{POLT}_i * \mathrm{CEOP}_i + \beta_{14} \mathrm{INTERL}_i * \mathrm{CEOP}_i \\ & + \beta_{15} \mathrm{CEOP}_i + \beta_{16} \mathrm{SIZE}_i + \beta_{17} \mathrm{AGE}_i + \beta_{18} \mathrm{Industry\ Dummies}_i \\ & + \varepsilon_i \end{aligned} \tag{2}$$

TABLE 1 Sampled firms

Non-financial firms by sector	Freq	Percentage (%)
Capital Goods	11	9.65
Commercial and professional services	3	2.63
Consumer durables and apparel	5	4.39
Consumer services	9	7.89
Energy	4	3.51
Food and beverages	11	9.65
Food and staples retailing	4	3.51
Health care equipment and services	6	5.26
Materials	40	35.09
Media and entertainment	2	1.75
Pharma, biotech and life sciences	1	0.88
Retailing	8	7.02
Telecommunication services	4	3.51
Transportation	4	3.51
Utilities	2	1.75
Total number of sampled firms	114	100

where CSRDQ represents corporate social responsibility disclosure quality, EXP represents the director's experience, EDU is the director's education, EXPRT is the director's expertise, NATION represents board nationality, POLT represents the director's political ties, and INTERL represents the director's interlocking. SIZE represents the firm size, AGE represents firm age, and CEOP represents CEO power.

4.4 | Methodology

Tables 2 and 3 show the measurement of the CSRDQ Index and the board capital variables used in this study. We measure CSRD quality using an index of CSRD attributes using four (4) criteria. These criteria are relevance, faithful representation, understandability, and comparability following the suggestions of Alotaibi and Hussainey (2016a, 2016b). Meanwhile, items of relevance, faithful representation, understandability, and comparability were adopted from the previous studies (Alotaibi & Hussainey, 2016b; Beest et al., 2009; Chakroun & Hussainey, 2014; FASB, 2006).

Our measures of board capital attributes were adopted from various CSR-related studies. Director's experience, measured as the percentage of board members who have occupied a position of a former CEO is adopted from Barroso et al. (2011) and Thorsell and Isaksson (2014). Meanwhile of director's education is taken from the study of Fernández-Gago et al. (2018). Measures of other board capital variables are adopted as follows, board nationality (Katmon et al., 2019), directors' political ties (Ramón-Llorens et al., 2019), directors' interlocking (Barka & Dardour, 2015), CEO power (Chen, 2014; Haynes & Hillman, 2010), firm size (Li & Liu, 2018), and firm age (Giannarakis, 2014; Muttakin et al., 2018).

4.5 | Data analysis technique

This study adopts the OLS regression estimator to perform the model specification in Section 4.3. This study applies the PROCESS macro approach by Andrew F. Hayes to analyze the moderating effects of CEO power on the relationship between board capital attributes and CSRD quality. Hayes (2014) stated when the question motivating a study asks when or under what circumstances *X* exerts an effect on *Y*, moderation analysis is an appropriate analytical strategy (p. 265). Hayes (2014) introduced three moderation approaches for SPSS software: product approach, pick-a-point approach, and Johnson-Neyman technique. This study adopts the product approach because the approach indicates that the effects of the independent variables (e.g., board capital attributes) on the dependent variable (e.g., CSRD quality) depend linearly on moderating variables (e.g., CEO Power) (Hayes, 2014). Several studies have also adopted the PROCESS-Hayes method to analyze moderating effects in CSR disclosure studies (Lee & Jung, 2016; Losada-Otálora & Alkire, 2021).

5 | ANALYSIS AND DISCUSSION OF RESULTS

This section provides the results for descriptive statistics, correlation matrix, and multiple regression analysis.

5.1 | Descriptive statistics

Table 4 provides the results for the descriptive statistics. The means (medians) of the board capital attributes are 0.219 (0.211) for director's experience, 0.458 (0.444) for director's education, 0.581 (0571) for director's expertise, 0.060 (0.000) for board nationality, and 0.161 (0.111) for director's political ties. On average, about 21.9% of the sampled firms have directors who have occupied a position of a former CEO and most Saudi directors (78.1%) do not hold a past position as CEO. This result is lower than the results of 34%, 58%, and 68% found by Fich (2005) in the United States, Barroso et al. (2011) in Spain, and Chen (2014) in Taiwan respectively.

5.2 | Correlation matrix

Table 5 displays the Pearson correlation coefficients for the board capital variables, moderator, dependent variables, and control variables. CSRD Quality is positively correlated with director's experience ($\rho = 0.046$), director's education ($\rho = 0.226$), director's expertise ($\rho = 0.074$), board nationality ($\rho = 0.113$), director's political ties ($\rho = 0.052$), and director's interlocking ($\rho = 0.368$). CEO Power is negatively correlated with the board capital variables except for the director's interlocking which has a positive correlation ($\rho = 0.012$). Control variables have a positive correlation with CSRD Quality; firm size ($\rho = 0.408$), and firm age ($\rho = 0.223$).

TABLE 2 Measurement of corporate social responsibility disclosure quality index

Criteria		Items
Relevance		
No.	**Question**	**Likert's**
R1	To what extent does the company disclose the CSR in the annual report?	1 = No disclose about CSR 2 = Disclosed of CSR information limited (boilerplate paragraph). 3 = Disclosed for Forward-looking information. 4 = Apart subsection of CSR. 5 = Extensive information useful for making expectations.
R2	To what extent does the presence of non-financial information in terms of business opportunities and to what extent contribute to the society and environment?	1 = No non-financial information 2 = Little non-financial information, no useful for forming expectations 3 = Useful non-financial information 4 = Useful financial information, helpful for developing expectations 5 = non-financial information presents additional information which helps developing expectations.
Faithful Representation		
F1	To what extent does the company, in the discussion of CSR in the annual report, highlight the positive events as well as the negative events?	1 = No positive and negative events, are mentioned 2 = Negative events only mentioned in footnotes 3 = Emphasize on positive events 4 = Balance positive/negative events of CSR 5 = Impact of positive/negative events of CSR is also explained
F2	To what extent does the company provide more explanation of CSR information?	1 = No description of CSR 2 = Information on CSR limited, 3 = Apart subsection of CSR 4 = Extra attention paid to information concerning CSR 5 = Comprehensive description of CSR
Understandability		
U1	To what extent does the annual report present CSR in a well-organized manner?	1 = Very bad presentation (no text of CSR) 2 = Bad presentation (text only) 3 = Poor presentation (text and graphs) 4 = Good presentation (text, graphs, and ratio) 5 = Very good presentation (full paragraph with more descriptive)
U2	To what extent does the presence of graphs and tables clarify the presented information of CSR?	1 = No graphs 2 = 1–5 graphs 3 = 6–10 graphs 4 = 11–15 graphs 5 = >15
Comparability		
C1	To what extent does the information on CSR in the annual report comparable to information provided by other organizations?	1 = No comparability (no paragraph) 2 = Limited comparability (one paragraph) 3 = Moderate comparability (two paragraph) 4 = Very much comparability (two paragraphs with numbering) 5 = Very extensive comparability (more than above)
C2[a]	To what extent does the company present financial index numbers of CSR and ratios in the annual report?	1 = No ratios 2 = 1–2 ratios 3 = 3–5 ratios 4 = 6–10 ratios 5 = >10 ratios

[a]For C2, this study uses number of ratios, because it plans to use a single year analysis, 2018 (post SCGR 2017), and as adopted from the study of Beest et al. (2009), Chakroun and Hussainey (2014), and Cleary (1999). In the original scale of Beest et al. (2009), number of ratios is also a criterion for comparability, but this study does not take this criterion because it does not intend to do a panel data analysis, which requires both cross-sectional and time-series data. The present study focuses on only cross-sectional analysis. So, the use of yearly comparability criterion may not be appropriate for the study.

TABLE 3 Measurement of independent, moderating, and control variables

Variables	Symbol	Measurement
Directors' experience	EXP	The percentage of board members who have occupied a position of a former CEO.
Directors' education	EDU	The percentage of directors who are postgraduate degrees holders (MA, MBA, PhD) to the total number of directors on the board.
Directors' expertise	EXPRT	The proportion of directors who are support specialist experts to the total number of directors on the board[a]
Board nationality	NATION	The total number of foreign board members is divided by the total number of directors on the board.
Directors' Political ties	POLT	The proportion of directors who are politicians, leaders of community organizations, and members of a political party to the total number of directors on the board.
Directors' interlocking	INTERL	A value of 1 if there is a director interlock and 0 if otherwise.
CEO power	CEOP	Sum of standardized CEO Ownership and CEO Tenure; the percentage of stock ownership held by a CEO; the CEO's number of years since being appointed CEO.[b]
Corporate social responsibility disclosure quality	CSRDQ	A weighted index/score based on relevance, faithful representation, understandability& comparability.
Firm size	SIZE	Natural logarithm of total assets
Firm age	AGE	Natural logarithm of the number of years since a firm's inception in business

[a]Hillman et al. (2000) support specialist directors are considered to be decision-making supporters who bring specific expertise and knowledge to areas which may have a positive effect on strategic activities and decisions, such as insurance, law, technology, industry and capital markets (e.g., Shaukat et al., 2016).
[b]CEO Duality is not included in the measure of CEO Power due to the Article 24 (Separation of Position) of Saudi Corporate Governance Regulations 2017 which states that "it is prohibited to hold, at the same time, the position of chairman of the board and any other executive position in the company, including the positions of the managing directors, the CEO, or the general manager, even if the company's bye-laws provided for otherwise".

TABLE 4 Descriptive statistics

Variables	Mean	Median	SD	Min.	Max.
Dependent variable					
Corporate social responsibility disclosure (CSRD) quality	1.909	1.750	0.809	1.000	4.250
Independent variables					
Director's experience	0.219	0.211	0.168	0.000	0.700
Director's education	0.458	0.444	0.236	0.000	1.000
Director's expertise	0.581	0.571	0.198	0.000	1.000
Board nationality	0.060	0.000	0.124	0.000	0.600
Director's political ties	0.161	0.111	0.187	0.000	1.000
Director's interlocking	0.763	0.809	0.229	0.091	1.000
Control variables					
Firm size	14.586	14.403	1.861	10.659	21.770
Firm age	3.312	3.367	0.636	1.609	6.843
Moderating variable					
CEO power	1.000	1.000	0.778	0.000	2.000

Notes: Corporate social responsibility disclosure quality is measured as the weighted index/score based on relevance, faithful representation, understandability and comparability—*See* Table 2. CEO power is measured as an index of the sum of standardized CEO Ownership (the percentage of stock ownership held by a CEO) and CEO Tenure (the CEO's number of years since being appointed CEO). Directors' experience is measured as the percentage of board members who have occupied a position of a former CEO. Directors' education is measured as the percentage of directors who are postgraduate degrees holders (MA, MBA, PhD) to the total number of directors on the board. Directors' expertise is measured as the proportion of directors who are support specialist experts to the total number of directors on the board. Board nationality is measured as the total number of foreign board members divided by the total number of directors on the board. Directors' political ties are measured as the proportion of directors who are politicians, leaders of community organizations, and members of a political party to the total number of directors on the board. Directors' interlocking is measured as a value of 1 if there is a director interlocking and 0 if otherwise. Firm size is measured as the natural logarithm of total assets, while firm age is measured as the natural logarithm of the number of years since a firm's inception in business.

TABLE 5 Correlation analysis for the board capital attributes as determinants of CSRD quality

Variables	1	2	3	4	5	6	7	8	9	10
1. CSRD quality	1									
2. CEO power	0.172	1								
3. Directors' experience	0.046	−0.045	1							
4. Directors' education	0.226	−0.014	0.182	1						
5. Directors' expertise	0.074	−0.043	0.121	0.372	1					
6. Board nationality	0.113	−0.093	0.155	−0.096	0.146	1				
7. Directors' political ties	0.052	−0.166	−0.055	0.281	0.263	−0.067	1			
8. Directors' interlocking	0.368	0.012	0.154	0.220	0.143	0.223	0.008	1		
9. Firm size	0.408	−0.059	0.014	0.147	0.137	0.194	0.161	0.330	1	
10. Firm age	0.223	0.100	−0.033	0.105	0.091	−0.167	0.112	−0.035	0.003	1

Notes: Corporate social responsibility disclosure quality is measured as the weighted index/score based on relevance, faithful representation, understandability and comparability—*See* Table 2. CEO power is measured as an index of the sum of standardized CEO Ownership (the percentage of stock ownership held by a CEO) and CEO Tenure (the CEO's number of years since being appointed CEO). Directors' experience is measured as the percentage of board members who have occupied a position of a former CEO. Directors' education is measured as the percentage of directors who are postgraduate degrees holders (MA, MBA, PhD) to the total number of directors on the board. Directors' expertise is measured as the proportion of directors who are support specialist experts to the total number of directors on the board. Board nationality is measured as the total number of foreign board members divided by the total number of directors on the board. Directors' political ties are measured as the proportion of directors who are politicians, leaders of community organizations, and members of a political party to the total number of directors on the board. Directors' interlocking is measured as a value of 1 if there is a director interlocking and 0 if otherwise. Firm size is measured as the natural logarithm of total assets, while firm age is measured as the natural logarithm of the number of years since a firm's inception in business.

5.3 | Baseline results (direct hypotheses)

Table 6 provides the empirical results of the relationship between board capital attributes and corporate social responsibility disclosure quality.

Directors' experience is found to have a positive significant coefficient at the 5% level (Beta = 0.330; p-value = 0.034 < 0.05). This finding implies that higher directors' experience results in a higher extent of CSRD Quality in Saudi nonfinancial listed firms. Thus, H1 is supported. Consistent with the resource dependence theory, firms with various experienced directors on the boards are contributed to the board experience as a better resource to enable advising and counseling (Hillman & Dalziel, 2003). Moreover, experienced directors positively affect the board's functions including the CSRD quality (Dalton et al., 1999). Various experiences of directors are perceived to be a valuable resource for the management of stakeholders since they provide a deeper view of several stakeholders' needs and demands and therefore help to engage better in CSR (Chang et al., 2017). Our finding on the positive effect of directors' experience is consistent with past studies (i.e., Muttakin et al., 2018; Shaukat et al., 2016).

The result also revealed a negative but insignificant coefficient for directors' education (Beta = −0.350; p-value = 0.352 > 0.05). Thus, H2 is not supported. It suggests that the approach of selecting directors on the boards of firms in Saudi does not focus on the academic degrees i.e., postgraduate degrees of the directors but family status and relations (Nasser, 2020). The finding is similar to that reported by Khan et al. (2019) in Pakistan from 2010 to 2017, supporting the theoretical assertion of the resource dependence theory that the firm's resources can either strengthen or weaken performance (Wernerfelt, 1984).

Directors' expertise is found to have a negative insignificant relationship with CSRD Quality (Beta = −0.319; p-value = 0.212 > 0.05). Thus, H3 is not supported, suggesting that firms with fewer expert directors may not have enough capability and skills to ensure that CSR activities disclosed are compared with previous years and are not faithfully represented in such a way that the positive and negative impacts of CSR investments are disclosed. This result is in line with prior literature that fewer expert directors often focus on financial performance rather than CSR contribution which diverts management's attention away from CSR contributions and CSRD (e.g., Jahid et al., 2020; Khan et al., 2019).

We conjecture that board nationality influences CSRD quality in Saudi nonfinancial listed firms. Contrary to the resource dependence theory that board nationality brings foreign resources to the board to boost competitiveness and assure CSRD quality (Gul et al., 2011; Muttakin et al., 2015), board nationality is positively insignificant (Beta = 0.364; p-value = 0.639 > 0.05). This result is in line with the result in the descriptive statistics table (Table 2), which shows that only about 6% of the directors on Saudi boards are foreign directors and the remaining 94% are local and native directors. Thus, H4 is not supported. The finding reflects the context of Saudi Arabia where most firms are family-owned and most of the board directors are family or royal family members with very less foreign members constituting the board (Nasser, 2020) when compared to firms in advanced countries where there is high diversity in board nationality (Toumi et al., 2022).

Results also revealed that the relationship between directors' political ties and CSRD Quality is significant and negatively associated (Beta = −0.474; p-value = 0.002 < 0.01), which is consistent with past studies (Jahid et al., 2020; Ramón-Llorens et al., 2019). Thus,

TABLE 6 Relationship between board capital attributes and CSRD quality

Dep. Var. = CSRD quality	Predicted sign	Coefficient/Prob.	*p*-Value
Constant		−7.767	0.000***
Independent variables			
Directors' experience	+	0.330	0.034**
Directors' education	–	−0.350	0.352
Directors' expertise	+	−0.319	0.212
Board nationality	+	0.364	0.639
Directors' political ties	–	−0.474	0.002***
Directors' interlocking	+	1.080	0.019**
Control variables			
Firm size		2.502	0.002***
Firm age		1.025	0.031**
Industry dummies		Yes	Yes
Adjusted R^2		0.472	
F-value		7.38***	
N		114	114

Notes: Corporate social responsibility disclosure quality is measured as the weighted index/score based on relevance, faithful representation, understandability and comparability—*See* Table 2. CEO power is measured as an index of the sum of standardized CEO Ownership (the percentage of stock ownership held by a CEO) and CEO Tenure (the CEO's number of years since being appointed CEO). Directors' experience is measured as the percentage of board members who have occupied a position of a former CEO. Directors' education is measured as the percentage of directors who are postgraduate degrees holders (MA, MBA, PhD) to the total number of directors on the board. Directors' expertise is measured as the proportion of directors who are support specialist experts to the total number of directors on the board. Board nationality is measured as the total number of foreign board members divided by the total number of directors on the board. Directors' political ties are measured as the proportion of directors who are politicians, leaders of community organizations, and members of a political party to the total number of directors on the board. Directors' interlocking is measured as a value of 1 if there is a director interlocking and 0 if otherwise. Firm size is measured as the natural logarithm of total assets, while firm age is measured as the natural logarithm of the number of years since a firm's inception in business. Asterisks *, **, and *** are significant at the 10%, 5%, and 1% level, respectively.

H5 is supported. The result suggests that the greater directors with political ties, the less the participation in CSRD initiatives. The results are important to firms as most frauds are caused by political directors because of their political power and links to influence board decision-making (Masud et al., 2019). Majority of the studies support our finding that political ties rather than strengthening the performance of the firm through CSRD quality, further declines it (i.e., Ramón-Llorens et al., 2019). Thus, resource dependence theory about political ties is seen to weaken CSRD quality often when directors' interests are to maintain their reputation within the firm, avoid public scrutiny, and protect their political ties.

Results also show that directors' interlocking significantly impacts CSRD disclosure positively (Beta = 1.080; *p*-value = 0.019 < 0.05). Thus, H6 is supported. The result is consistent with past studies (Bizjak et al., 2009; Razek, 2014). Practically, this finding supports the submission of Hamdan (2018) that relational networks matter in Saudi Arabic for better disclosure practices. Thus, the firm's social interactions may encourage productive resource exchanges and combinations (Tsai & Ghoshal, 1998). Interlocking directorate ties play an important role in facilitating the adoption of a proactive environmental strategy. It, however, does not support the findings of (Mindzak, 2013) that directors' interlocking impacts CSRD Quality negatively when the responsibilities of interlocking directors are limited.

The results for the control variables are positive relationships for firm size (Beta = 2.502; *p*-value = 0.002 < 0.01), firm age (Beta = 1.025; *p*-value = 0.031 < 0.05) and industry/sector (Beta = 0.087; *p*-value = 0.000 < 0.01). This indicates that older firms are more likely to disclosure quality CSR activities than younger firms (Giannarakis, 2014). Also, industry regulation has an impact on CSR reporting practices and CSR information disclosed (Mahjoub, 2019).

5.4 | Moderating results (indirect hypotheses)

Table 7 presents the results for the moderating analysis of the role of CEO power on the relationship between board capital attributes and CSRD Quality. The study adopts the product (i.e., multiplication) method of moderating analysis. This is done by multiplying the direct independent variable (e.g., directors' education) by the moderating variable (i.e., CEO Power) to get the interaction terms (Directors' education X CEO Power) (Hayes, 2014). If a significant relationship does

TABLE 7 Relationship between board capital attributes and CSRD quality and CEO power as moderating variable

Dep. Var. = CSRD quality	Coeff. (I)	Coeff. (II)	Coeff. (III)	Coeff. (IV)	Coeff. (V)	Coeff. (VI)	*p*-Value
Constant	−4.404***	−4.561***	−4.563***	−2.973**	−4.483***	−4.291***	
Independent variables							
Directors' experience	0.192						0.170
Directors' education		0.071					0.410
Directors' expertise			0.033				0.756
Board nationality				−0.066			0.891
Directors' political ties					−0.082		0.365
Directors' interlocking						0.225	0.295
Moderating variables							
CEO power	0.593	0.451**	0.459**	0.366	0.205	0.425*	
Directors' experience × CEO power	0.131						0.235
Directors' education × CEO power		0.096					0.039**
Directors' expertise × CEO power			0.099				0.035**
Board nationality × CEO power				0.088			0.071
Directors' political ties × CEO power					0.074		0.104
Directors' interlocking × CEO power						0.099	0.035**
Control variables							
Firm size	1.483***	1.564***	1.555***	1.238**	1.452***	1.494***	
Firm age	0.487**	0.453**	0.444**	−0.056	0.447**	0.431**	
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	
Adjusted R^2	0.2887	0.2766	0.2792	0.0678	0.3333	0.2791	
F-value	5.80***	6.42***	6.49***	1.34	5.78***	6.49***	
N	114	114	114	114	114	114	

Notes: Corporate social responsibility disclosure quality is measured as the weighted index/score based on relevance, faithful representation, understandability and comparability—*See* Table 2. CEO power is measured as an index of the sum of standardized CEO Ownership (the percentage of stock ownership held by a CEO) and CEO Tenure (the CEO's number of years since being appointed CEO). Directors' experience is measured as the percentage of board members who have occupied a position of a former CEO. Directors' education is measured as the percentage of directors who are postgraduate degrees holders (MA, MBA, PhD) to the total number of directors on the board. Directors' expertise is measured as the proportion of directors who are support specialist experts to the total number of directors on the board. Board nationality is measured as the total number of foreign board members divided by the total number of directors on the board. Directors' political ties are measured as the proportion of directors who are politicians, leaders of community organizations, and members of a political party to the total number of directors on the board. Directors' interlocking is measured as a value of 1 if there is a director interlocking and 0 if otherwise. Firm size is measured as the natural logarithm of total assets, while firm age is measured as the natural logarithm of the number of years since a firm's inception in business. Asterisks *, **, and *** are significant at the 10%, 5%, and 1% level, respectively.

not emerge, a moderator relationship will appear. The results of significant moderating effects are shown in Table 7.

The results show that the moderating role of CEO power on the relationship between directors' education and CSRD quality is significant at the 5% level (Beta = 0.131; *p*-value = 0.039 < 0.05), consistent with the study of Chen (2014). It is also revealed that CEO power significantly moderates the relationship between directors' expertise and CSRD quality (Beta = 0.099; *p*-value = 0.035 < 0.05), supporting the findings of Haynes and Hillman (2010) and Pearce and Zahra (1991). The finding shows that CEO power positively moderates the relationship between directors' interlocking and CSRD Quality (Beta = 0.099; *p*-value = 0.035 < 0.05), in line with the finding reported in Omer et al. (2014).

Overall, it appears that in the presence of a moderate or lower degree of CEO power, outside directors with the necessary education and expertise, may not challenge the CEOs' decisions on CSR activities, resulting in a higher level of CSR disclosures. This corroborates with the findings of Muttakin et al. (2018) that powerful CEOs ignore CSR activities to save on the costs related to CSR reporting and vice-versa. Significant moderating effects of CEO power on CSR disclosure could also be attributed to strong legal frameworks (Muttakin et al., 2018). In 2017, Saudi Arabia revised the 2007 CG Code by excluding CEO duality in firms as part of the corporate governance mechanisms to reduce the negative effects of CEO Power on firm operations.

In addition, the interactions between each of directors' experience (Beta = 0.131; *p*-value = 0.235 > 0.05), board nationality (Beta = 0.088; *p*-value = 0.071 > 0.05), directors' political ties (Beta = 0.074; *p*-value = 0.104 > 0.05) and CEO power have no significant effect on CSRD disclosure quality. We attribute this finding to the view of the agency theory that resource monitoring is a function of board incentives (e.g., Hillman & Dalziel, 2003), which implies that when CEOs are given incentives through CEO ownership, they tend to influence the board's resource to facilitate CSR investment decisions and vice versa. We equally establish no support for CEO power on directors' political ties. Ramón-Llorens et al. (2019) posit that powerful CEOs and directors with political ties in firms may be more interested in accomplishing their own goals through the use of political resources they have at the expense of the demands of shareholders and stakeholders. Thus, undermining CSR quality and initiatives. Our findings on CEO power not moderating board nationality indicate that CEOs might see board nationality as disrupting their incentives for increased tenure than higher CSRD quality (Fang et al., 2020).

6 | CONCLUSIONS

The present study examines the relationship between board capital and corporate social responsibility disclosure quality. It also investigates the moderating role of CEO power on the board capital attributes and corporate social responsibility disclosure quality. Within the theoretical assumptions of the resource dependence theory, the present study argues that board capital attributes may increase the level of CSRD quality in Saudi firms. The position of Hillman and Dalziel (2003) is also in support of Jensen and Meckling (1976) that resource provisions and resource monitoring are important to increase board functions and responsibilities. Thus, we use CEO power as a resource monitoring mechanism to moderate the relationship between board capital and CSRD quality.

The study finds that directors' experience and directors' interlocking have positive impacts on CSRD quality while directors' political ties have a significant negative impact on CSRD quality. We find no support for the impacts of directors' education, directors' expertise, and board nationality on CSRD quality. Concerning our moderating hypotheses, we find evidence that CEO power moderates the relationships between directors' education, directors' expertise, directors' interlocking, and CSRD quality.

The study has some practical implications. First, the findings confirm the appointment of more directors with specific knowledge and technical qualifications on the board. This practice has become more persistent in corporate life after the US firms' governance scandals and criticisms over opacity and lack of transparency in social and environmental activities. Second, for policy makers, the study implies for domestic and international communities to embrace a culture of more professional directors on board to ensure a better understanding of the firm's financial aims, global markets challenges, and the consequences of the business on different stakeholders. Third, the findings provide relevant implications for countries where politically connected boards are of family ownership. In these countries (e.g., Saudi Arabia, USA, India, Indonesia, China, and Malaysia), regulatory authorities interested in increasing transparency should recommend the need to report political connections of board members in governance reports, as this information can condition CSR reporting.

This study has a few limitations. The study fails to empirically perform a panel data study that will account for the time dynamics effects of board capital attributes on CSRD quality. Thus, future research should focus on a longitudinal approach to examine the relationship between board capital and CSRD quality. Future studies should examine whether the global financial crisis and the Covid-19 crisis matter for the relationship between board capital and CSRD quality to understand whether board capital responds to the global crisis, which may call for more corporate social responsibilities from firms. Recent studies have examined the Covid-19 crisis and CSR (e.g., Bae et al., 2021).

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How to cite this article: Maswadi, L., & Amran, A. (2022). Does board capital enhance corporate social responsibility disclosure quality? The role of CEO power. *Corporate Social Responsibility and Environmental Management*, 1–17. https://doi.org/10.1002/csr.2349