家族繼承 CEO 對策略聯盟績效的影響

The Effect of Family Succession CEO on Alliance Performance

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ABSTRACT

Although in the past decade, CEO succession had been explored in many studies, recent studies focused on the influence of family succession CEO on firm performance, but mixed results were found. This research attempted to probe into the effect of family succession CEO on alliance performance by investigating the effect of the family succession CEO on one-year (two-year, three-year) return on assets after the alliance announcement date. We found that family succession CEO has a significantly negative effect on alliance performance. We also found the same result in the cross sectional and time series analysis. In addition, this paper tried to use instrumental variables methods to explore the potentially endogenous effect of family succession CEO on alliance performance. We also found momentous evidence to support that “early incorporation” and “the gender of the family succession CEO” are a potential endogenous variable in alliance performance regression and that family succession CEO is affected by the alliance performance.

Key words: family succession; family succession CEO; alliance

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摘 要

雖然近 10 年許多對 CEO 繼承的研究已經逐漸發展，近期的研究偏重於家族繼承 CEO 對公司績效的影響，而且研究結果相當分歧。本研究嘗試去透過調查家族繼承 CEO 於策略聯盟宣告後 1(2、3)年的資產報酬率，去探查家族繼承 CEO 對策略聯盟績效的影響。我們的研究結果發現家族繼承 CEO 對策略聯盟績效有顯著負影響。並且在跨產業與時間序列分析中也有發現相同的結果。此外本篇研究嘗試使用工具變數的方法，來驗證家族繼承 CEO 對策略聯盟的潛在的內生性影響。研究的結果有重要的驗證可支持，在策略聯盟績效迴歸中潛在的內生性變數是“早期公司”和“家族繼承 CEO”而且家族繼承 CEO 也影響策略聯盟績效。

關鍵字 ： 家族繼承、家族繼承 CEO、策略聯盟

Chapter 1 Introduction

CEO succession had been explored in many studies in the past decade. For example, research has studied how CEO succession affect the firm performance, the CEO succession's institutional/symbolic viewpoints, the effect of stock market price reactions on CEO turnover, and where an CEO succession is recognized by the advance of the real inherited event (Cannella and Shen, 2001; Cucculelli and Micucci, 2008; Furtado and Karan, 1990; Gamson and Scotch, 1964; Huson and Malatesta and Parrino, 2004; Wasserman, 2003). The effect of family succession CEO on firm performance was frequently investigated by recent literature, and family succession CEO was always compared with non-family succession CEO in recent literature. For example, researches suggested that family succession might have a profitable effect on firm performance. Family succession CEO is persuaded to manage their companies, and they may increase firm performance by decreasing agency problems (Anderson and Reeb, 2003; Davis, Schoorman, and Donaldson 1997; Pe´rez-Gonza´lez, 2006). On the contrary, prior research suggested that in the family succession CEO's companies as poor performance family succession CEO does not matter, good company performance makes the larger positive influence of outside succession CEO, and family succession CEO might underperform because of the fact that family succession CEOs are chosen from a little pool of controlling talent (Burkart and Panunzi and Shleifer, 2003; Friedman and Singh, 1989; Pe´rez-Gonza´lez, 2006). Family CEO appointments show a great decrease in the firm performance (Pe´rez-Gonza´lez, 2006), causing relatively significant underperformance of firms that was managed by family succession CEO, compared to those firms controlled by non-family succession CEOs (Pe´rez-Gonza´lez 2006;

Villalonga and Amit 2006). Moreover, Donnelley (1964) and Anderson and Reeb (2003) found mixed results in the effect of family CEO on firm performance. However, most previous literature has focused on the effect of family succession CEO on intra-firm performance, and found several ambiguous results. To better understand the effect of family succession CEO on firm performance, we made a deeper analysis of how family succession CEO affects both intra-firm and inter-firm performance. In this study we extend the previous research by investigating the influence of family succession CEO on alliance performance. Prior literature supported that alliances are typically deemed to be alternative management structures of two companies who are interested in performing similar strategic goals by combining their companies' resources (McConnell and Nantell, 1985). Moreover, Anand and Khanna (2000) and Baum and Calabrese and Silverman (2000) found that firm performance was positively and significantly affected by alliances. Marciukaityte and Roskelley and Wang (2009) also suggested that strategic alliances' announcements raise the partner companies' value by 0.53%. In this research, we intend to research whether family succession CEO affects alliance performance.

Several difference dimensions about family succession may affect alliance performance. Prior research documented that, on average, alliances can create economic value and supported that alliances function as value creation tool (Chan and Kensinger and Keown and Martin, 1997; Anand and Khanna, 2000). However, despite alliances can generate value, but most research support that almost half of the alliances formed end up unsuccessful (Kogut, 1989). Most previous studies also support that CEO succession was affected by organization because both intra-firm and inter-firm individual's accumulated capital of social networks can generate potential profits for company. Moreover, CEO's contribution to the organization is also determined by both within and outside company's relationships that the CEO holds (Collins and Clark, 2003; Geletkanycz and Hambrick, 1997; Granovetter, 1985; Rodan and Galunic, 2004; Smith and Collins and Clark, 2005; Wasserman, 2003). Therefore, while alliances can create firm value, they are also many risks. In this paper, we ask if family succession CEO have this talent to solve those risks by means of intra-firm and inter-firm social network.

Several prior studies measured performance from alliance announcements. For example, Marciukaityte at al. (2009) argued that strategic alliances' announcements raise the partner companies' value by 0.53%. Anand and Khanna (2000) found that the firms with greater prior alliance experience create significantly higher stock market returns than the firms with less alliance experience from alliance announcements. In this paper, we will examine the family succession CEOs as to their impact on alliance financial performance. Thus, we follow the procedure suggested by Marciukaityte et al. (2009); that is, one-year (two-year, three-year) returns of assets (ROA) before the announcement date are evaluated based on which annually alliance announcements during the next year (two years, three years) can be recognized.

Family succession CEO

Several prior studies defined family succession CEO. First, Pe´rez-Gonza´lez (2006) defined "family successions" as every management transformation where the departing CEO or the founder, or a large shareholder was related by blood or marriage to the new CEO. The other management changes are defined as "unrelated". Second, Cucculelli and Micucci (2008) suggested that family successions contain those management transform where a departing CEO or the founder was related (by blood or marriage) to the new

CEO. The actual CEO of the firm is the founder CEO or an heir (related to the founder by blood or marriage), or a non-family manager. Third, in Lin and Hu's (2007) definition, a family-member CEO is a family member of the largest shareholder. In other words, they defined it as a professional CEO. Finally, Anderson and Reeb (2003) and Villalonga and Amit (2006) defined family firms as those in which the founder or a member of his or her family by either blood or marriage is an officer, director, or block holder, either individually or as a group. Following the above references, this paper defines "family succession CEO" as a family member of the largest shareholder (by either blood or marriage) and who must not be a family founder CEO. Other, non-family succession CEO is defined as the CEO of the firm who is neither a family founder CEO nor a family succession CEO.

In the next section of this paper, we address the related theoretical background and hypotheses. Subsequent sections present the data collection procedures, the estimation methodology. As a preview of this paper's main results, we find that:

(1) Family succession CEO is negatively related to alliance performance.

(2) Non-family succession CEO is positively related to alliance performance.

(3) The "early incorporation" and "the gender of the family succession CEO" are the endogenous factor, when family succession CEO is negatively related to alliance performance.

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