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Stock Market Reactions to the Announcement of CEO Succession in Family firms

가족기업의 최고경영자 교체 공시에 대한
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Abstract

Although previous studies have examined that firm's audience take a large part in determining firm's economic and social performance, we know very little about investor community of family firms. Building on principal-principal conflict of agency theory and on signaling theory, we found that investors in stock market react to the announcement of family CEO succession more negatively than to that of professional CEO succession in family firms. Their negative reactions of family CEO succession decrease when the firm has higher reputation, which signals the efficient governance structure of the firm. Our findings exhibit that investors perceive family CEO appointments as another governance mechanism that enhances information asymmetry among two different principals of family firms. The present research emphasizes the practical importance of how nonfamily stakeholders evaluate the family firm's leadership, and motivates scholars to figure out how family firms could interplay with their audience. We constructed CEO succession event dataset of the listed family firms in South Korea and employed event study to observe stock market reactions at the time of announcements. To eliminate endogeneity issue, we used diverse approach including constructing the matching sample and classifying the types of leadership changes that could be observed in family firms.
Keyword : CEO succession, investor reaction, family firm, corporate governance, information asymmetry
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1. Introduction

Corporate governance reflects the way diverse stakeholders inside and outside the firm evaluate the firm’s actions (Thompson, 1967). For example, when powerful internal executives evaluate that the firm performs badly, they could prefer to select a new CEO who shares similar demographic characteristics with them (Zajac and Westphal, 1996). Audience could reflect their evaluations to the firm’s governance structure in more indirect ways. They constitute a part of firm’s environment and institutional logic which give firms a pressure to change their strategy or governance system (Thornton and Ocasio, 1999). Yet, research on the relationship between corporate governance system and the audience remains as the preserve of empirical cases in US institutional contexts, leaving non-US institutions still veiled. More specifically, audience of family firms[1] in non-US institutions have not been addressed in previous academic research, in spite of family firm’s complex governance structure grabbing a substantial attention from its audience embedded in society.

From an empirical standpoint, this is very surprising given the fact that family firms still dominate the world economies especially in Asia and part of Europe, and most of well performing family firms are traded by nonfamily investors in stock market (Villalonga & Amit, 2006; Chung & Luo, 2013) as public firms in Anglo-American institutions are. The investors are one of the firm’s powerful audience, because they can directly determine the flow of firm’s financial asset, and at the same time shape firm’s social asset, such as legitimacy, which in turn affects

[1] Previous studies have taken multiple views to define family firm depending on their empirical setting, and we refer family firms to those where the founder or his or her family member is the top executives or the largest shareholders (Anderson & Reeb, 2003; Villalonga & Amit, 2006; Chang & Shim, 2015).

firm’ s survival (Meyer & Rowan, 1977). To fully understand the economic and social performance of family firms, we need to investigate how investors perceive the governance structure of family firms and their decision on the next strategic leaderships.

Yet, the governance mechanisms of family firms are biasedly in favor of one party of shareholders, the family owners, against other shareholders in financial market. This is because ownership and management are not completely separated in public family firms. Through several governance mechanisms, such as cross-shareholding structure and board structure, family owners exert more significant power than any other shareholders over the management process of family firms (Young, Peng, Ahlstrom, Bruton, & Jiang 2008). From this perspective, many scholars in academia and firm’ s stakeholders in practical world have called a question: Is it beneficial in terms of firm’ s performance to leave family owners to occupy CEO (chief executive officer) position as well as other governance systems?

Principal-principal conflict of agency theory (Fama & Hensen, 1983) has provided theoretical backgrounds for prior works about the effect of family leadership on firms’ strategy. Principal-principal conflict indicates the situation where controlling shareholders and minority shareholders have incongruent goals. In particular, controlling shareholders in family firms could put a higher priority on family agendas than firm’ s economic performance when they make strategic decisions (Morck, Wolfenzon, & Yeung, 2005; Young et al., 2008; Bertrand & Schoar, 2006; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). For example, family owners can channel one firm’ s internal resources into other affiliated firms they own at below-market price (Khanna & Rivkin, 2001).

Unfortunately, we have very little knowledge on whether external shareholders in stock market really evaluate the family CEO succession represents higher information asymmetry to themselves compared to the professional CEO succession. This provokes a substantial problem in the theoretical aspect.

From a theoretical standpoint, the theoretical mechanism of principal-principal conflict from the perspective of agency theory is left as an assumption. Agency theorists argue that principal-principal conflict mainly comes from firm’s governance structures which increase information asymmetry between two types of principals, and family CEO succession is one of such structures (Morck, Wolfenzon, & Yeung, 2005; Young et al., 2008; Miller et al., 2014). Yet, previous studies in corporate governance have not suggested any empirical evidence to support this theoretical mechanism. Further study on perceptions of nonfamily shareholders in publicly-traded family firms is required to understand the theoretical distinction between family CEO and professional CEO.

Despite of its theoretical and empirical importance, the perception which nonfamily shareholders have on family firm’s governance structures has not been studied before because researchers could not find an opportunity to capture the variations of it. To piece together this empirical puzzle, we study stock market reactions to the announcement of CEO succession in family firms, and employ novel list of business group to observe the variations of investors’ information asymmetry in firm level.

Do the investors perceive the announcement of family CEO succession differently from that of professional CEO succession in publicly traded family firms? What shapes their different perceptions? We found that investors react to family CEO succession more negatively than to that of professional CEO succession in family firms. However, negative market reactions to family CEO succession are reduced when investors perceive that the focal firm is affiliated to the large business group list that Korean Fair Trade Commission (FTC) annually announces. Building on agency theory and signaling theory (Spence, 1973), we suggest that external shareholders perceive family CEO succession compared to professional CEO succession as one of governance mechanisms that increase the level of information asymmetry between firm insiders and outsiders. Investors' perceived uncertainty about firm's governance structure is mitigated when they get positive signals on firm's governance structure through consuming the focal firm's reputation.

We observed family firms listed in Korean Composite Stock Price Index (KOSPI) from 2005 to 2016. A public firm in Korea is obliged to announce its CEO succession event to the public from the year of 2005. Family firms in South Korea provide an ideal setting to observe the relationship between investor community and corporate governance of family firms for several reasons. Firstly, most of publicly-traded firms in South Korea are controlled by family owners. Market regulations related to family firms allow us to get important information about firm's nonfamily shareholders, ownership structure and the CEO's background such as family membership. Secondly, most of public family firms in South Korea have already experienced the change of generation after a founder since early 2000. We can eliminate a possible noise that a first-generation change can bring to firm's management (Adams, Almeida, & Ferreira, 2009). Lastly, both types of CEO-the family CEO and the professional CEO- are prevalent in Korean family firms. We can construct data which have a balance in the number of observations between family CEO succession and professional CEO succession.

We employed event study methodology to measure the variations of investors' perceptions of the succession announcement in 3-day window. To eliminate selection bias of CEO successor, we constituted a Coarsened Exact Matching (CEM) sample and examined other backgrounds of leadership appointment (e.g. M&A event), if exist. Also we verified robustness of our results through conducting subsample analyses and manipulating different independent variables considering the type of predecessor and an inside/outsider dimension of successor.

2. Theoretical Background

2.1. Information Asymmetry in Governance Structure of Family firms

A substantial body of corporate governance has been rooted from the proposition that a firm's manager (agency) could have different goal from that of firm's shareholders (principal) (Jensen & Meckling, 1976). A separation between ownership and management leads to information asymmetry between shareholders and a manager regarding firm's decision-making process, and allows the agent to pursue their own interests. For example, a firm's CEO (chief executive officer) could personally use corporate aircraft, cause unnecessary costs and disrupt firm's economic performance (Boivie, Lange, McDonald, & Westphal, 2011). While agency perspective on incongruent goals among the firm's different stakeholders has motivated research of corporate governance, most of them have focused on the developed institutional context of which ownership and management are completely separated in companies.

We can find, however, family firms of which ownership and management are not completely separated still dominate the market in emerging economies and a part of Europe such as Italy (La Porta, Lopez-de-Silanes, & Shleifer, 1999). Family owners in family-controlled firms hold majority of firm's shares and at the same time engage in management in diverse ways (Granovetter, 2005). Distinguished from public companies in Anglo-American institutions (Jensen & Meckling, 1976), family firms in developing institutions have principal (majority or controlling shareholders; family owners) − principal (minority shareholders; nonfamily/external investors) conflict as a critical issue (Morck, Wolfenzon, & Yeung, 2005; Young, Peng, Ahlstrom, Bruton, & Jiang 2008).

Principal− principal conflict in family firms infers incongruent interests or personal goals between two categories of principals (Fama & Jensen, 1983; Morck, Wolfenzon, & Yeung, 2005; Young et al., 2008). In particular, controlling shareholders could put their family agendas prior to firm's economic performance which is financial investors' main interest (Bertrand & Schoar, 2006; Gomez et al., 2007). The family owners could establish multiple governance mechanisms, such as cross-shareholding within independent companies they own, the presidential system(Hui-jang) or the appointment of family members to a top management team, to maintain their power over the firm (Granovetter 2005; Chang 2003). The possibility of controlling shareholders' selfish behaviors could in turn restrict investors in stock market from accessing to information on firm's decision-making process.

Building on principal-principal conflict of agency theory, recent studies have assumed that the appointment of family CEO is also one of the governance mechanisms that keeps family owners in control of the firm. Moreover, they found that firm's performance when the firm is led by a family CEO would differ from that of a firm under professional leadership. Miller et al. (2014), and Chang &

Shim (2015) argued that the professional CEO could outperform the family CEO when the leader can prevent the family owners from taking their own advantages, such as family socioemotional wealth (Gomez-Mejia et al., 2007). Miller, Minchilli & Corbetta (2013) suggested the family CEO could perform better than the professional CEO when family owners have a high incentive to focus on maximizing the economic profit which is also the main goal of external shareholders.

Research on agency theory in family firm context, however, still suggests indirect perspective on investor community that constitutes 'another principal' in principal-principal conflict. Whether investors really consider the appointment of family CEO could obstruct their views on firm's strategic decision-making process and undermine their future wealth remains unveiled. Empirical research on the correlation between executive status of family owners and the level of uncertainty that investors perceive is required.

Corporate Governance and Audience

Lack of research on the audience of family firms produces an empirical puzzle since a number of family-controlled firms are publicly traded in stock markets and gain diverse external stakeholders (Chung & Luo, 2013). Audience in financial market contributes significantly to both economic and social performance of public companies. In an economic aspect, investors influence firm's cash flow, short-term performance and market value measured by stock price (Fama, 1970; Shen & Cannella, 2003). In a social aspect, investors act as one of the institutional actors and deliver how firm's governance structure is well aligned with firm's environment (Zuckerman, 1999). More specifically, scholars have emphasized the importance of studying how investors react to the announcement of firm’ s new policy. This results from the fact that such research enables scholars to trace how audience and society have changed their logic that they use to evaluate firm’ s value or policy. This logic could give firms a pressure to change their strategy (Zajac & Westphal, 2004; Thornton & Ocasio, 1999), or a legitimacy which is essential for firm’ s accessibility to resources and survival (Meyer & Rowan, 1977). To understand economic and social performance of family firms, therefore, we need to focus on how investors evaluate firm’ s governance strategy.

To figure out whether investors perceive that family CEO succession will increase the level of information asymmetry within the governance structure of family firms more severely than professional CEO succession, we need to observe how stock market reacts to the announcement of family/professional CEO succession (Fama, 1970).

2.2. Evaluation Mechanism of Investor Community

Scholars of corporate governance have examined that investors’ evaluations on firm’ s governance structure vary according to their perceived uncertainty, which originates from information asymmetry between them and firm’ s decision-making process (Fama, 1970). Once they feel they lack knowledge on firm’ s strategic decision, they discontinue investment and cause stock price to decrease (Furtado & Rozeff, 1987; Beatty & Zajac, 1987). Amid of this evaluation mechanism of investor community, signaling theory (Spence, 1973) suggests that certain information which signals firm’ s unobservable quality could reduce the level of uncertainty perceived by investors who are under informational asymmetric situation. The information could be an extra knowledge on the firm, or a socially-constructed signals generated from the evaluation of other audience in the same society (George, Dahlander, Graffin, & Sim, 2016). Social evaluations, such as status, reputation, and legitimacy, represent socially-constructed signals which reflect firm's relative characteristics evaluated by actors who interact with each other. For example, Zuckerman (1999) found that evaluations of other audience, the financial analysts working in the focal industry, significantly influence on how investors evaluate firm's value.

In this stream of research, stock market reactions to the announcement of CEO succession have been studied to investigate what type of strategic leadership would bring lower level of uncertainty to investors (Friedman & Singh, 1987; Furtado & Rozeff, 1987; Beatty & Zajac, 1987; Shen & Cannella, 2002). Previous studies have believed that investors perceive CEO succession as an uncertain or a disruptive event because most of the CEO selection process is not opened to audience outside the firm (Shen & Cannella, 2003). Building on signaling theory, those studies have found that investors' negative evaluations on firm's CEO succession events would decrease when they acquire additional knowledge or consume social evaluations. They have argued that investors consume extra information which is related to firm's characteristics or leader's attributes in order to alleviate their uncertainty towards a new leadership (Connelly, et al., 2016). Bonnier & Bruner (1989) and Davidson, Worrell, & Dutia (1993) found that information about firm's pre-succession performance justifies firm's outside CEO succession, and consequently, investors react less negatively. Information regarding firm's managerial issue (e.g. embezzlement, succession planning) also affects investors' reactions of CEO turnovers (Shen & Cannella, 2003; Connelly, et al., 2016; Gangloff, Connelley, & Shook, 2016). Even social stereotypes and job schema, which are socially constructed, provide additional knowledge to investors when they evaluate an organizational leader. Lee & James (2007) investigated that investors rely on gender stereotypes when they feel they have lack of knowledge on a new female executive.

3. Hypotheses Development

3.1. Family/Professional CEO Succession and Stock Market Reaction

Building on principal-principal conflict of agency theory, family leadership could be one of governance mechanisms that increase the power of family owners over the firm and simultaneously lower the accessibility of nonfamily shareholders to firm’s internal management process (Dharwadkar, George, & Brandes, 2000; Morck & Yeung, 2003; Young et al., 2008). The family owners in family firms have already established formal and informal governance structures (or strategy) to maintain their control over the firm (Granovetter, 2005).

First, formal governance structure includes a firm’s ownership structure and executive position. Family members hold a majority of public firm’s shares. Also, cross-shareholding structure, which ties every legally independent company affiliated to the same family owners, is frequently found especially in family business groups (Granovetter, 1994; Chung & Luo, 2008). Family business groups are defined as “sets of legally separate firms bound together in persistent formal and/or informal ways….controlled by one or more central individuals-owner family (Granovetter, 1994: 429p)”. Family business groups run several public and private companies in emerging economies (Bertrand, Johnsom, Samphantharak, &

Schoar, 2008). Such ownership structure empowers family owners' control over the firm. Moreover, family firms in emerging economies have constructed distinctive executive position structures (e.g. Hui-jang, Vice Hui-jang) which place family members at the top of any other executives in top management team or board of directors (Young et al., 2008). This system enables the family owners to have the right equivalent to CEO when executives make strategic decisions, but leaves nonfamily shareholders hard to monitor management process (Bertrand, Mehta, & Mullainathan, 2002). We found that 97% of our sample, which includes both types of business group affiliates and standalone companies, appoints their family members to this distinctive executive position, Hui-jang.

Second, a number of family-controlled firms establish a control tower as an informal governance structure which enables the family owners to direct firm's important strategic decision (Young et al., 2008; Granovetter, 1994). The control tower could take a form of single division within the firm, or of an individual holding company within family business group. For example, Samsung is one of the largest family business groups in South Korea, and more than 50 companies are affiliated to the business group. While their affiliations are legally independent, the Lee family of Samsung engaged in strategic decision-making process of affiliates through Mirae division in one single company, Samsung Electronics.

Likewise, multiple governance structures in family firms enhance the accessibility of family owners to firm's management compared to that of investors in stock market. Amid of such family-oriented structure, investors would perceive family CEO succession heightens information asymmetry between themselves and principal inside the firm. Family CEO can be another formal governance structure that could be combined with other previously-established ones (Dharwadkar, George, & Brandes, 2000) and limit access of nonfamily shareholders to firm’ s management process. Therefore we hypothesize:

Hypothesis1: Ceteris paribus, investors would react to the announcement of family CEO succession more negatively than to that of professional CEO succession in family firms.

3.2. Signaling Effect of Organizational Reputation

Although investors could perceive higher uncertainty from family CEO appointments compared to professional CEO appointments, the level of uncertainty can be alleviated by consuming information which signals an economic efficiency of the firm’ s governance structure. Previous literature about evaluation mechanism of investors has suggested that they lack information when they evaluate firm’ s value because they act outside the firm (Fama, 1970). In the face of information asymmetric environment, investors attempt to complete their information on firm’ s strategy by seeking knowledge or socially-constructed signals which present the quality of decision-maker (e.g. CEO, top management team) or an organization (Spence, 1973; Podolny, 1993). Previous studies in IPO context, for example, have argued that the attributes of top management team, such as previous career and prestigious educational background, signal the firm’ s higher future value to investors (Certo, 2003; Higgins & Gulati, 2003). Existing studies in CEO succession context also have a premise that the successor’ s past experience and reputation of his or her past affiliations could signal the value of the hiring firm to investors (Graffin, Carpenter, & Boivie, 2011).

We can also expect that investors of family firms could be influenced by information which signals an efficiency of governance structure, given the fact that complex governance structures of family firms intensify the uncertainty of external shareholders (Young et al., 2008) More specifically, we focus on how investors interpret organizational reputation conferred from firm's past economic performance or product quality (Rindova, Williamson, Petkova, & Sever, 2005; Lange, Lee, & Dai, 2011). Reputation could be accumulated from the user experience with high quality of product, but in prevalence, it could be earned by firm's economic power which is evaluated by institutional actors, such as media or official research institutions (Pfarrer, Pollock, & Rindova, 2010; Lim, Love & Bednar, 2017). For example, previous studies often employ 'Fortune's Most Admired Companies' to measure the effect of organizational reputation. Therefore, organizational reputation could signal the quality of firm's strategy, and affect how external evaluators assess the firm's value (Deephouse, 2000; Rindova, Williamson, Petkova, & Sever, 2005).

Building on signaling effect of socially-constructed signals, organizational reputation of family firms could moderate negative stock market reactions of firms' governance structure, the family leadership. In South Korea, we can find that annual list of 'large business group' nominated by FTC (Fair Trade Commission) of Korean government could signal an economic efficiency of family firm's governance structure. FTC annually announces a list of business groups ranked as top 30 by their total asset. A business group nominated in this FTC list is required to announce additional information about its management, such as governance structure, ownership structure and family owners. Although FTC list is for protecting minority shareholder's right and keeping management process transparent, it in fact implies better economic performance of the companies on the list due to its economic standard of nomination. Therefore, The FTC list could confer organizational reputation to the affiliates of family business groups nominated on the list, regardless of individual affiliates' size. The list indicates that family business groups and their family owners on the list have achieved stronger economic power than those not on the list. FTC list could signal that family business groups on the list have established sound governance structures which enable their affiliates to manage their business efficiently. Signals from the FTC list could reduce investors' negative expectations that the family CEO succession will heighten the level of information asymmetry resided in family firms' governance structures. Therefore we hypothesize:

Hypothesis 2: Ceteris paribus, investors' negative reactions to the announcement of family CEO succession compared to that of professional CEO succession would decrease when the focal firm is affiliated to family business groups on the FTC list.

4. Methods

4.1. Sample and Data Collection

We constructed event (announcement of CEO succession)-announcement date dataset for all family firms listed in Korean Composite Stock Price Index (KOSPI) in South Korea. We collected initial list of event from DataGuide of FnGuide, and crosschecked the list with *Announcement Report of CEO Turnover* of each firm presented in Data Analysis, Retrieval and Transfer System (DART) which is operated by Financial Supervisory Service of Korea. We defined family firms as those meeting one of the following conditions: (1) the founder already passed control to his or her decedents (2) more than one of the founder's family members is appointed to the firm's top management team of the focal firm or other subsidiaries within the same business group (3) the family owners hold more than 50% of firm' s shares. We collected the information of the founder and his or her family members, and ownership structure from firm' s annual report and official website. Our definition of family firms reflects family firm setting more practically. First of all, we require our sample to have more than one of the founder' s family members working as executives to differentiate family-controlled firms from lone-founder-controlled firms (Cannella, Jones, & Withers, 2015). This is because family-controlled firms and lone-founder-controlled firms are likely to have very different identities and firm strategies (Le Breton-Miller, Miller, & Lester, 2011; Cannella, Jones, & Withers, 2015). Secondly, the family owners of family business groups sometimes maintain control over their firms with cross-shareholding and hold minor shares of individual companies. If we define family firms only with family ownership on individual companies, we can miss substantial family firms affiliated to family business groups (Anderson & Reeb, 2003; Villalonga & Amit, 2006; Kim & Cho, 2011).

We observed the announcements of CEO succession from 2005 to 2016, because Korean Exchange (KRX) has mandated public companies listed in KOSPI to announce their CEO succession event to public since January of 2005. Public firms must announce their CEO turnover before 1 day has passed from the day when leadership actually changes.

Our sample consists of 2876 announcement events from 723 companies. We eliminated the observations of companies in financial industry, and of nonfamily firms including foreign companies (e.g. S-OIL), state-owned companies (e.g. Korean electric power corporation), and privatized companies (e.g. POSCO). Also we removed the observations of which we cannot get their stock market information. We could not get stock market information of companies which are under safe deposit of securities certificates[2], or in the preparing process of market exit. Lastly, we calculated dfbeta value and defined outliers as whose dfbeta value is different from the average within 95% confidence interval. After dropping outliers, we get our final sample of 1586 announcement events from 485 companies. Those companies are either a standalone company, or an affiliation which is tied to one of 190 Korean family business groups.

4.2. Measures

4.2.1 Dependent variables

We took event study methodology and measured Cumulative Abnormal Returns (CAR) of 3-day window for the announcement day (Fama, fisher, Jensen, & Roll, 1969; Friedman & Singh, 1989; Shen & Cannella, 2003; Lee & James, 2007). We calculated CARs based on each firm’s daily returns over 120-day window which ends a day before the announcement day.

4.2.2 Independent variables

Family CEO Succession We considered an executive as successor when he or she is addressed as ‘successor’ in firm’s *Announcement Report of CEO Turnover* in DART. We referred CEO as a leader who has legal responsibility on reporting firm’s annual reports. This definition follows the one from previous Korean context research which recognized that diverse leader positions (e.g. Huijang, and Vice-Huijang) exist in Korean family firms (Park, Sung, & Jeong,

[2] Korean Exchange (KRX) limits stock trading of companies which have been listed on the exchange less than 6 months ago, or which are classified as ship investment company or real estate investment company.

2010; Seo & Chang, 2010; Kim & Cho, 2011). Family CEO Succession is coded as 1 if a successor is a family member of family owners, and 0 otherwise. When successor is a combination of family CEO and professional CEO, we defined CEO as the one who holds higher ownership than the other as previous studies has described in their research (Salancik & Pfeffer, 1980). In most cases, ownership of family CEO is higher than that of professional CEO, and therefore, *Family CEO Succession* is coded as 1 when successor is a combination of family member and professional executive. However, we coded a *Family CEO Succession* as 0 in the case when successor is a combination of family CEO and professional CEO, and simultaneously, their predecessor is a sole family CEO. This is due to the fact that the focal firm newly introduces professional member into their leadership position.

Family members indicate family by either blood or marriage, such as his or her spouse, decedents (e.g. son, daughter, and grandson over several generations), cousin, and son-in-law (Villalonga & Amit, 2006). We collected information of family members from firm' s annual report, official website, and media coverage.

FTC-listed Company We coded *FTC-listed Company* as 1 if the company is affiliated to the business group which is nominated on the FTC list in the year when the announcement event occurs. Otherwise, we coded *FTC-listed Company* as 0.

4.2.3 Control variables

Event Dummy We verified the context of the new leadership appointment as 5 categories. Previous studies of CEO succession demonstrated that the reason for the appointment should be considered when observing investor reactions because it can influence on how investor interpret the CEO turnover (Shen & Cannella, 2003;

Lee & James, 2007; Friedman & Singh, 1989). The present research classified the reason of CEO succession as following 5 categories: (1) Being acquired by external entities (2) Being acquired by external entities after firm's workout or bankruptcy (3) Ownership conflict between family owners and other large blockholders (4) firm restructuring activity (e.g. establishing new holding companies for their business group, merging two different affiliations within the group, or splitting one firm into two) (5) Predecessor's embezzlement. We collected the relevant information from announcement reports of ownership change, M&A, firm split, and embezzlement in DART, firm's annual report, and from press releases. We included these backgrounds of CEO successions as a categorical variable, *Event Dummy*, into our regression model.

Family Predecessor We coded *Family Predecessor* is 1 if outgoing CEO is family member of family owners, and 0 otherwise.

Firm Size We measured *Firm Size* by using the logarithm of firm's total assets

Standalone We coded *Standalone* is 1 if the focal company is not affiliated to any business groups, and 0 otherwise

Previous Performance We controlled for *Previous Performance* using industry-adjusted measure of Return on Asset (ROA) in a quarter before the announcement (Miller et al., 2014; Chung & Luo, 2013). We computed industry-adjusted ROA as the difference between the focal firm's ROA and the average ROA of all firms in the same industry. We classified the industry by 1-digit Korean Standard Industrial Classification (KSIC) code. We defined return of ROA as Earnings Before Interest and Taxes (EBIT).

Firm Workout We coded *Firm Workout* is 1 if the firm is under the revival process of Korean government after it has declared its workout status, and 0 otherwise. We can check firm's workout status from firm's annual report and *Announcement Report of Registration for the Revival Process* in DART.

Family Ownership We controlled *Family Ownership* using the proportion of shares that family owners and their family members own.

Co-CEO status We coded *Co-CEO status* is 1 if successor is more than one person, and 0 otherwise. We controlled for Co-CEO status because co-CEO could have an significant effect to firm's performance (Miller et al., 2014)

Outside Succession We coded *Outside Succession* as 1 if successor comes from outside the focal firm, and at the same time, from the companies not affiliated to the same family owners. Otherwise, we coded it as 0. Previous literature of CEO succession has paid large attention to whether the successor is internally promoted within the firm, or recruited from outside the firm or from outside the industry where the focal firm is affiliated. For example, scholars have argued that outside successors, compared to insiders, possess less knowledge on the focal firm (Zhang & Rajagopalan, 2003), less accessibility to get internal support from other executives (Shen & Cannella, 2002), and lower level of strategic continuity (Friedman & Singh, 1989). As a result, they found that an inside/outside distinction of CEO successor could moderate the effect of CEO succession on firm's performance (Shen & Cannella, 2002; Lee & James, 2007). Therefore, we also considered outside succession to test our hypotheses but defined outside succession by reflecting Korean family firms' structures. Even though a new leader comes from outside the firm or even outside the hiring firm's industry, we can hardly view this is an outside succession in terms of governance structure when he or she comes from the company governed by the same family owners as those of the hiring firm.

Industry dummy, Year dummy We included *Year dummy* variable for 12 observation years, and *Industry dummy* variable for 11 fields defined by 1-digit KSIC code.

4.3. Data Analysis

4.3.1 Coarsened Exact Matching (CEM) sample

Studies on the relationship between CEO succession and firm' s performance are exposed to an endogeneity concern due to selection bias on new CEO recruitment (Chang and Shim, 2015). Some firm level and CEO level attributes could determine the type of successor as well as the investor' s reactions. To alleviate this concern, we constitute sample matching on (1) *Family Predecessor* (2) *Firm Size* and (3) *Standalone*. Firstly, a type of predecessor is an important antecedent of new CEO selection in Korean family firms (Kim & Cho, 2011) and previous studies about the relationship between CEO succession and family firm' s performance have controlled for the type of predecessor as well (Chang & Shim, 2015). Moreover, firm size and standalone status significantly influence on CEO selection, because it determines the firm' s available pool of CEO candidates (Dalton & Kesner, 1983; Finkelstein & Hambrick, 1996). Therefore small family firms are less likely to have sufficient number of capable professional executives than the large family firms (Kim, Park, & Kim, 2012). In particular, companies under the same family business group often share their top executives with each other (Granovetter, 2005), and this leaves standalone company less competitive to acquire pool of CEO candidates as that of business group affiliates. At the same time, firm size and standalone status could provoke substantially different trading volume in stock market at the time of strategic change. We used Coarsened Exact Matching (CEM) and analyzed regression model on this matching sample. About 99% of our sample was matched to each other, leaving only 22 observations unmatched.

4.3.2 Subsample Analysis

The present research also conducted subsample analyses on our hypotheses to verify the robustness of our results. Rather than using the matching sample, we constructed categorical variables using *Family Predecessor*, *Family CEO Succession*, and *Outside Succession* as our new independent variables for subsample analyses. We split our sample into two groups by *FTC-listed Company* variable, and tested the correlation between Family CEO succession and investors' reactions. We got non-FTC sample which consists of the announcements of the companies affiliated to the FTC-listed family business groups (*FTC-listed Company*=0). Non-FTC sample has 872 observations. FTC sample includes 714 observations which can be observed from the FTC-list (*FTC-listed Company*=1).

In subsample analysis we considered three variables that we have previously used for matching methods. We reflected *Family Predecessor* into constructing new categorical independent variables, and included *Firm Size* as a control variable to regression model. Yet, we do not consider *Standalone* variable anymore in subsample analysis, because no company in FTC sample could be classified as a standalone company.

5. Results

Table 1 reports the number of announcements and the proportion of *Family CEO succession* and *Family Predecessor* per year across the sample. The mean of the number of the announcements per year is 132, and the mean of the proportion of *Family CEO Succession* per year is 0.42. The number of annual observations does not show any large difference from the total mean, and no yearly trend is found. Table 2 presents descriptive statistics and bivariate correlations of variables. Only two cases show correlation coefficients over 0.5 (0.52 for *Family Predecessor-Family CEO Succession*, 0.65 for *FTC-listed Company* − *Firm Size*) and others range from -0.5 to 0.5. Therefore we assume that multicollinearity between variables does not exist in our analysis.

Table 1 Announcement of CEO Succession per year

Year	Family CEO Succession	Family Predecessor	Total number of Announcements
2005	0.466	0.501	103
2006	0.471	0.501	119
2007	0.404	0.493	114
2008	0.403	0.492	134
2009	0.516	0.502	124
2010	0.427	0.497	117
2011	0.371	0.485	143
2012	0.408	0.493	142
2013	0.438	0.498	162
2014	0.408	0.493	152
2015	0.365	0.483	126
2016	0.427	0.496	150
Total	0.424	0.494	1586

Table 3 reports the results of regression analyses testing our hypotheses with the sample matched on *Family Predecessor*, *Firm Size* and *Standalone*. Model 2 shows investors react to family CEO succession more negatively than to professional CEO succession and supports Hypothesis 1. The model shows that family membership of CEO significantly influences investor's perceived uncertainty on firm's governance structure. We observed interaction effect of *FTC-listed Company* on the relationship between family CEO succession and stock market reactions in Model 4. Model 4 reports that stock market reactions of family CEO succession in the affiliates of family business groups on the FTC list are less negative than those in companies not on the list. More specifically, we can observe that the discounts that family CEO succession get from investors are more severe in Model 4 (-0.00764) than those in Model 2 (-0.00503). We can interpret that FTC list is a significant contingency to analyze the effect of family membership of CEO on market reactions. Yet, investors' reactions to family CEO succession compared to professional CEO succession are still negative when we consider the effect of organizational reputation (-0.00764 +0.00723 in Model 4). This result supports Hypothesis 2 suggesting that the FTC list could signal the efficiency of governance structures to investors who evaluate family firms' strategic decision.

Figure 1 shows the moderating effect of FTC list on the relationship between CEO succession and stock market reactions in family firms. As Model 4 (Table 3) shows, Figure 1 exhibits that the gap between stock market reactions of professional CEO appointments and those of family CEO appointments are much larger when the focal firm is not on the FTC list. Also the figure reports that investors prefer professional CEO succession to family CEO succession regardless of the fact whether the firm is affiliated to family business groups on the FTC list. To further verify the effect of organizational reputation on how investors evaluate family firms' leadership, we conducted several subsample analyses with new independent variables.

Robustness Check

As noted in previous section, we split our sample into 2 by *FTC-listed Company* variable. We newly constructed two different independent variables in Table 4 and Table 5 to eliminate other alternative explanations regarding the effect of family CEO succession on stock market reactions.

For one approach, we created a dummy variable of 4 categories (*Family Predecessor* & *Family CEO Succession*) as our independent variable in Table 4. Firstly, Model 2 and Model 5 used the original independent variable (*Family CEO Succession*) for analysis and do not consider the effect of *Family Predecessor*. Model 2 shows that stock market reactions of family CEO appointments are still more negative than those of professional counterparts in non-FTC sample (-0.00532). Model 5, however, reports that investors react to family CEO succession more positively than to professional CEO succession in FTC sample (0.00203). Yet, the results are not significant. This partly supports Hypothesis 2 by stating that the FTC list could shape investors' perceptions on family CEO succession and even change their preferences regarding the leadership into the opposite.

Moreover, we analyzed stock market reactions to family CEO succession compared to professional CEO succession more specifically through considering 4 categories of CEO succession in Model 3 and Model 6. We set two categories of professional CEO succession as our base category and compared stock market reactions of this base category with those of *Family Predecessor & Family CEO succession* and *Professional Predecessor & Family CEO succession*. In Model 3 with non-FTC sample, stock market responds to family CEO succession following family predecessor more negative than to professional CEO succession (-0.00601). The level of negative reactions that *Family Predecessor & Family CEO succession* gets is more severe than that of *Professional Predecessor & Family CEO succession*. In Model 6 with FTC sample, however, investors react to this same category more positively than to professional CEO succession (0.00234), and the level of positive reactions is even higher than those of family CEO succession following professional predecessor (0.000448). Although the results in Model 6 are insignificant, Table 4 indicates that investors prefer professional CEO succession in companies with relatively low reputation but they prefer family CEO succession in companies with relatively high reputation.

For the other approach, we constructed a categorical variable with 6 types[3] of CEO succession (*Family Predecessor* X *Family CEO Succession* X *Outside Succession*) as our independent variable in Table 5. As we observed in Table 4, investors react to family CEO succession more negatively than professional CEO succession in non-FTC sample (Model 2), but their reactions turn to the opposite in FTC sample (Model 5). In Model 3 and Model 6, we set two categories of family CEO succession as our base category, and compared stock market reactions of this base category with those of other 4 types of professional CEO succession. We did not established professional CEO succession as the base category this time, because this would prevent us observing variations of *Outside Succession*. In Model 3, we still find out that investors are in favor of any types of professional CEO succession compared to family CEO succession when the focal companies are not affiliated to the business group of FTC list. When external professional employees succeed professional CEO in non-FTC sample, the difference between

[3] Since family succession is always inside succession, we can only observe 6 different categories of succession in family firms.

stock market reactions of professional CEO succession and those of family CEO succession (0.0213) is larger than the difference that we can find in any other types of professional CEO succession. Model 6 with FTC sample, however, exhibits very different results from those of Model 3. Although its results are not significant, Model 6 shows that investors respond to professional CEO succession more negatively than to family CEO succession. Contrary to the results in Model 3, professional CEO succeeding to professional predecessor gets the most negative reactions from investors (-0.00438).

To sum up, we check that our empirical supports for Hypothesis 2 are robust both in regression analyses on the matching sample and in subsample analyses with categorical independent variables. In particular, it is very interesting that family CEO appointments get discounts from nonfamily shareholders when the focal companies are not affiliated to reputational business group, but they get positive responses when the focal companies are under reputational business group.

Table 2 Descriptive Statistics and Correlation Table

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
Family CEO Succession	0.42	0.49	1									
FTC-listed Company	0.45	0.5	-0.15***	1								
Family Predecessor	0.49	0.5	0.52***	-0.18***	1							
Standalone	0.13	0.34	0.11***	-0.35***	0.1***	1						
Firm Size	20.66	1.75	-0.003	0.65***	0.01	-0.34***	1					
Previous Performance	-0.01	0.05	0.03	0.01	-0.002	-0.01	0.09***	1				
Firm Workout	0.01	0.1	-0.06*	0.09***	-0.08**	-0.04	0.06*	-0.01	1			
Family Ownership	44.91	16.48	-0.03	-0.08**	-0.04	-0.03	-0.22***	0.004	0.01	1		
Co-CEO status	0.55	0.5	0.36***	0.04	0.33***	-0.06	0.22***	0.03	0.03	0	1	
Outside Succession	0.04	0.2	-0.17***	-0.05*	-0.0**8	-0.002	-0.1***	-0.04	-0.02	0.04	-0.08**	1

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 3 Regression Models of the Matching Sample
: Stock Market Reactions to the Announcement of CEO Succession

Variable	Model 1	Model 2	Model 3	Model 4
Previous Performance	0.03	0.03	0.03	0.03
	(1.53)	(1.59)	(1.53)	(1.48)
Firm Workout	-0.01	-0.01	-0.01	-0.01
	(-0.73)	(-0.75)	(-0.75)	(-0.72)
Family Ownership	0.0001**	0.0001**	0.0001**	0.0001**
	(2.06)	(2.06)	(2.07)	(2.14)
Co-CEO status	0.004*	0.005**	0.003*	0.004**
	(1.81)	(2.29)	(1.72)	(2.12)
Outsider Succession	0.006	0.003	0.006	0.003
	(1.20)	(0.72)	(1.21)	(0.64)
Family CEO succession		**-0.00503*** **		**-0.00764*** **
		(-2.63)		**(-3.22)**
FTC-listed firm			0.000814	**-0.00255**
			(0.40)	**(-0.99)**
Family CEO succession X FTC-listed firms				**0.00723* **
				(1.89)
Event dummy	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes
Industry dummy	Yes	Yes	Yes	Yes
Constant	0.0006	0.002	0.0004	0.003
	(0.14)	(0.52)	(0.09)	(0.67)
R-squared	0.0356	0.0398	0.0357	0.0421
Adjusted r-squared	0.0163	0.02	0.0158	0.0211
F-value	0.0032	0.0007	0.0043	0.0006
Observations	1586	1586	1586	1586

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 1 The Moderating Effect of the FTC List

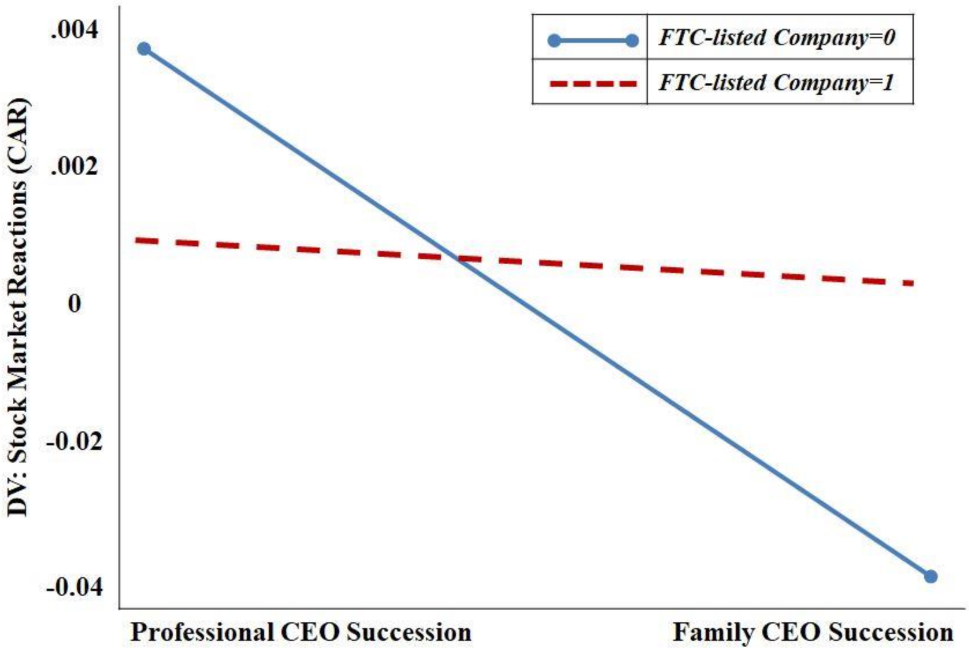

Table 4 Subsample Analyses
: Stock Market Reactions to 4 types of CEO Succession in Family firms - *Family Predecessor* & *Family CEO Succession*

Variable	Model 1 (non-FTC)	Model 2 (non-FTC)	Model 3 (non-FTC)	Model 4 (FTC)	Model 5 (FTC)	Model 6 (FTC)
Firm Size	0.0012	0.0012	0.0013	-0.0013	-0.0014	-0.0014
	(0.93)	(0.98)	(1.03)	(-1.35)	(-1.36)	(-1.39)
Previous Performance	0.0291	0.0285	0.0274	-0.0306	-0.0319	-0.0322
	(1.30)	(1.27)	(1.22)	(-0.94)	(-0.98)	(-0.99)
Firm Workout	-0.0188	-0.0188	-0.0181	0.0074	0.0080	0.0080
	(-0.75)	(-0.76)	(-0.73)	(0.77)	(0.83)	(0.83)
Family Ownership	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
	(1.34)	(1.22)	(1.22)	(0.76)	(0.77)	(0.76)
Co-CEO status	0.0014	0.003	0.003	0.004	0.0031	0.0032
	(0.57)	(1.16)	(1.20)	(1.34)	(0.93)	(0.95)
Family CEO succession		**-0.00532****			**0.00203**	
		(-2.18)			**(0.62)**	
<u>Base category: Professional CEO succession</u>						
Professional Predecessor & Family CEO succession			**-0.00326**			**0.000448**
			(-0.84)			**(0.07)**
Family Predecessor & Family CEO succession			**-0.00601****			**0.00234**
			(-2.27)			**(0.68)**
Event dummy	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummy	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.0246	-0.0234	-0.0248	0.0291	0.0288	0.0295
	(-0.99)	(-0.95)	(-1.00)	(1.24)	(1.22)	(1.25)
R-squared	0.0366	0.0420	0.0425	0.0548	0.0554	0.0555
Observations	872	872	872	714	714	714

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 5 Subsample Analyses
: Stock Market Reactions to 6 types of CEO Succession in Family firms - *Family Predecessor* & *Family CEO Succession* & *Outside Succession*

Variable	Model 1 (non-FTC)	Model 2 (non-FTC)	Model 3 (non-FTC)	Model 4 (FTC)	Model 5 (FTC)	Model 6 (FTC)
Firm Size	0.0012	0.0012	0.0012	-0.0013	-0.0014	-0.0013
	(0.93)	(0.98)	(0.99)	(-1.35)	(-1.36)	(-1.34)
Previous Performance	0.0291	0.0285	0.0304	-0.0306	-0.0319	-0.0306
	(1.30)	(1.27)	(1.36)	(-0.94)	(-0.98)	(-0.93)
Firm Workout	-0.0188	-0.0188	-0.0177	0.0074	0.0080	0.0085
	(-0.75)	(-0.76)	(-0.71)	(0.77)	(0.83)	(0.88)
Family Ownership	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
	(1.34)	(1.22)	(1.25)	(0.76)	(0.77)	(0.77)
Co-CEO status	0.0014	0.0029	0.0031	0.0040	0.0031	0.0031
	(0.57)	(1.16)	(1.23)	(1.34)	(0.93)	(0.93)
Family CEO Succession		**-0.00532****			**0.00203**	
		(-2.18)			**(0.62)**	
Base Category: Family CEO succession						
Family Predecessor & Professional CEO succession & Outsider Succession			**0.000881**			**0.0112**
			(0.10)			**(0.61)**
Family Predecessor & Professional CEO succession & Insider Succession			**0.00580***			**-0.000619**
			(1.77)			**(-0.13)**
Professional Predecessor & Professional CEO succession & Outsider Succession			**0.0213*****			**-0.00438**
			(3.12)			**(-0.46)**
Professional Predecessor & Professional CEO succession & Insider Succession			**0.00360**			**-0.00263**
			(1.23)			**(-0.74)**
Event dummy	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummy	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.0246	-0.0234	-0.0297	0.0291	0.0288	0.0305
	(-0.99)	(-0.95)	(-1.20)	(1.24)	(1.22)	(1.28)
R-squared	0.0366	0.0420	0.0499	0.0548	0.0554	0.0564
Observations	872	872	872	714	714	714

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

6. Discussion and Conclusion

The present research examines that shareholders of family firms are sensitive to the level of information asymmetry derived from firm's governance mechanisms, particularly their new leadership appointments. Our empirical results show that investors respond to family CEO succession more negatively than to professional CEO succession in family firms. Their negative reactions to family CEO succession decrease when the focal firm's affiliation signals the low level of information asymmetry within the governance structure. The research suggests several theoretical and empirical contributions.

First, the results of present study exhibit that a family membership is a relevant factor in the relationship between managerial succession and the firm performance. A family/professional distinction of leadership in family firms is distinctive attribute of companies in emerging economies, as a dimension of inside/outside CEO of public firms is in Anglo-American institutions. Yet, some may cast doubt on whether the family/professional distinction of CEO in family firms could be a meaningful performance indicator, even when family owners already have established diverse governance structures to maintain their power over the firm. Our sample includes almost all announcement events in South Korea since the official announcement data is available, and our diverse analyses verify that our results are robust and consistent.

More specifically, we found that the family CEO succession gets more negative stock market reactions than the professional one does, when we consider the endogeneity issue by constituting the matching sample on the type of predecessor, firm size and firm's standalone status. Moreover, we got the consistent results from subsample analyses in Table 4 and Table 5. In Table 4, we created four categories of CEO turnovers by considering the type of predecessor (family/professional) and the type of successor (family/professional). In Table 5, we created six categories of CEO turnovers by considering the type of predecessor, an inside/outside dimension of successor, and the type of successor in Table 5. Overall, we found that the results in non-FTC subsample are contrary to those in FTC sample. The results verify the significance of organizational reputation which signals efficient governance structure to firm outsiders.

Second, our empirical results support the theoretical mechanism of previous studies which have explained the performance effect of different types of CEOs in family firms. Research in the perspectives of agency theory have assumed that the appointment of family CEO is the governance mechanism that prevents minority shareholders from getting enough knowledge on firm’s management process (Morck & Yeung, 2003; Morck, Wolfenzon, & Yeung, 2005; Young et al., 2008). However, little is known whether minority shareholders really perceive information asymmetry to a different extent in respect to family CEO and professional CEO. By observing how stock market responds to the announcement of CEO succession, we could address this gap. Also we found the pertinent setting, the FTC list of business groups, which allows us to measure the variations of information asymmetry derived from the firm’s governance structure, while prior studies could not.

Finally, our research is a very basic but almost the first research that figures out how audience evaluate family firm’s management practice. In the practical world, whether family owners are appointed to the key positions within family firms is the essential interest of audience in that society. For example, we can find '*chaebol*[4]' category from several authorized media press in Korea (e.g. Chosun Biz, Hankyoreh, The Korea Economic Daily). The firm's present and prospective investors, financial analysts, and journalists pay their attention to the future career of the son of Heo's family of GS business group. Our research answers the important empirical questions, and establishes the foundation for the future research on the interplay of firms and their audience in non-US contexts.

The present research, however, is not without limitation. One concern is that we did not consider the individual effect (e.g. educational backgrounds, previous experience) of a successor when we study the relationship between CEO succession and stock market reactions. However, we already acknowledged that it is very competitive for professional executives to be promoted to the firm's leader in Korean family firms (Kim, Park, & Kim, 2012). This could generate a low variation in professional executives' educational background and previous experience. Furthermore, family members have received formal and informal management training since they were young (Handler, 1994), and most of them have graduated prestigious university inside and outside South Korea. Therefore, the successor's individual capability could play a relatively less significant role in signaling better economic performance. Rather, our research constructs an inside/outside succession variable to measure the individual effect of incoming CEO in context-specific way. While an outside succession in previous research indicates the case where the new CEO comes from other firms or from companies in different industries (Shen & Cannella, 2002; Zhang & Rajagopalan, 2003), our variable refers to whether the new CEO comes from the institutions of which the same family owners govern. For example, if the new CEO of SK Innovation comes

[4] Chaebol refers large family business groups in South Korea. Researchers also have paid great attention to their management (Granovetter, 2005; Chang, 2003)

from SK Telecom, previous studies have defined the successor comes from outside the firm. We viewed, however, this case represents inside succession. We defined outside succession as the case where the successor comes from other companies which are not affiliated to the Choi family of SK business group. This is attributed to the fact that our research aims to investigate whether investors perceive different level of information asymmetry in governance mechanisms from family CEO succession compared to professional CEO succession. We predict that professional CEO who is promoted within the firms affiliated to the same family owners could get discount from investors as he or she could be highly interrelated with family owners. Indeed, this expectation has been partly supported in our analyses. In Table 5, Model 3 shows that external professional CEO succession following the professional predecessor brings the most positive investor response (0.0213) when the focal firms are not perceived as having effective governance structures.

Future study can examine whether the investors' evaluations on the family firm's governance structure could considerably change family owners' stance in management and affect firm's strategic action and long-term survival. On one hand, organizations could try to persuade their external environment with symbolic management which employs verbal accounts, new strategies, or secondary influences such as media or financial analysts. For example, it would be interesting to observe whether financial analysts affiliated to Korean family firms report the family owners' engagement into firm's management more positively. On the other, organizations could be subordinated to the external pressure on the purpose of getting legitimacy. This research could address the organizational needs on initiating strategies which could appeal to their audience, and theoretically contribute to connecting corporate governance and social process of organizations.

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국문초록

가족기업의 최고경영자 교체 공시에 대한 주식 시장의 반응

본 연구는 가족기업 최고경영자 교체 유형에 대한 주식 시장의 상이한 반응을 연구하였다. 가족기업과 그 지배가족 구성원들의 경영 참여 여부에 대해 많은 관중들이 주목하지만, 실제로 가족기업의 지배구조전략에 대한 관중의 평가를 밝힌 연구는 전무하다. 분석 결과, 주식 시장은 전문최고경영자 승계에 비해 가족최고경영자 승계에 더 부정적으로 반응하였다. 대리인 이론의 주주 간 충돌 개념과 신호 이론에 기반하여, 본 연구는 투자자들이 가족최고경영자 승계를 가족기업의 정보 비대칭성을 높이는 하나의 지배구조 전략으로 인식함을 주장한다. 본 주장을 뒷받침하기 위해 가족경영자에 대한 투자자들의 부정적 반응은 해당 기업의 지배구조에 대한 긍정적인 정보를 소비하였을 때 완화됨을 두 번째 가설로 검증하였다. 검증 결과, 가족경영자에 대한 투자자들의 부정적인 반응은 해당 기업이 공정거래위원회의 연간 대규모 기업집단 리스트에 속한 기업일 때 완화되었다. 본 연구는 한국 KOSPI 상장 기업의 대표이사 변경 공시일에 주식 시장의 누적비정상수익률을 관찰하였다. 관찰 기간은 2005-2016년이며 한국 KOSPI 기업의 대표이사 교체 공시가 2005년부터 의무화되었기 때문에 거의 모든 최고경영자 교체 사건이 분석에 포함되었다. 또한 내생성 문제를 최소화하기 위해 가족기업의 최고경영자 교체 배경을 변수화하고, 매칭 샘플 분석 및 최고경영자 교체 유형을 세분화한 분석을 실시하였다.

주요어: 최고경영자 교체, 주식 시장 반응, 가족기업, 기업지배구조, 정보 비대칭
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