경영학 석사 학위논문

Corporate Philanthropy and Succession Dynamics in Family Business Groups

: Evidence from Business Group-successions in Korea

기업 기부금과 가족 기업집단의 승계

: 국내 기업집단 계열분리를 중심으로

2022년 7월

서울대학교 대학원

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이 논문을 경영학석사 학위논문으로 제출함

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Abstract

Corporate Philanthropy and Succession Dynamics in Family Business Groups : Evidence from Business Group-successions in Korea

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Do all family business groups engage in corporate philanthropy? I examine that family business groups engage more in corporate giving when they prepare succession for their heirs. The incumbent chairman, the parent of the heir, utilize corporate giving strategically to acquire social approval. The socially responsible minority shareholders who value non-economic benefits support family heir as a next successor, when family firm donates actively. The family groups with smaller stakes of chair participate more in corporate philanthropy to obtain social approval. This paper substantiates the welfare model of family chairman and minority shareholders using the empirical test results.

Keyword : Corporate Philanthropy, Business groups, Family Firm, Transfer of Control, Succession

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Figures and Tables

I. Introduction

Family business group is an affiliate of companies with ultimate ownership and control from the particular family, especially the founder's (Bertrand, Johnson et al., 2008). This paper explores the incentives of corporate philanthropy in family business groups by investigating internal succession. I examine whether the within-family dynamics have an effect on corporate giving while sustaining family control over the heirs.

There are increasing literatures regarding diversion of corporate philanthropic activities from professional managers or CEOs. It is easier for managers to utilize the corporate giving for their personal advantages, since the benefits accrued from the firm's philanthropic activities are difficult to measure (Masulis and Reza, 2015). Cai, Xu et al. (2021) also finds out that affiliated donations with the board's independent directors are undetected and impair the monitoring incentives due to lack of formal disclosure on corporate giving. Existing literatures show that corporate philanthropy has agency motives in firms with professional manager. There are few studies about corporate philanthropy within family firms. Family firms have different business setting, especially an involvement of family heirs in executive director-levels. The founder, or family chairman, often cedes his position to other family heirs instead of external manager. This is called the internal succession in family firms. Family heir has advantages in gaining amenity potential, retaining intangible assets, such as reputation or political connections, and alleviating the financial constraints. These benefits let the family chairman likely to perpetuate family control by passing on the firms to heirs (Faccio, 2006; Faccio, Masulis, McConnell, 2006). This paper uncovers that family firms utilize corporate donations to smooth the internal succession by offering additional benefits to dispersed shareholders and obtaining social approval. In addition, preserving intangible

assets, such as political network or reputation, is important in business operations as it mitigates regulatory risks. Government officials who have authority to legislate the regulations are sensitive to the public opinion as the general mass have voting powers. Thus, the social preference on the succession has an impact on retaining political connections. The family firms engage in corporate giving to acquire social approval and alleviate regulatory risks.

Succession is a multi-dimensional decision in the family business groups. A family culture, competency of heirs, and even external social norms should be jointly considered. In Korea, Confucius culture and norm of family business groups are ingrained. It is generally accepted that the father as a family chairman cedes his chairperson position to the next generation, even though he is incapable of leading the firm. In case of families that have multiple heirs, they go through group-successions to pass managerial controls on each heir. Group-succession refers to firm-spinoff for succession in business group level.[1] Since every heir gains the managerial control and ownership regardless of his competency, minority shareholders may turn down the chairman-succession to a laggard. Thus, the family chairman will utilize corporate donation to induce social approval by maximizing dispersed shareholders' welfare. This paper examines the motive of corporate giving as the channel to gain social preference, especially for the incompetent heir in internal succession.

This paper has following contributions. First, this paper shows that corporate philanthropy is a family-driven agency problem by scrutinizing internal successions. Revealing diversions of corporate resources into a family event, such as internal succession, may improve

[1] The chairman and the founder of Samsung, ByungChul Lee, separated the entire group into three in 1997. Samsung was divided into CJ, Shinsegae, and Samsung and the managerial control of each group transfers to the eldest son MengHee Lee, the youngest daughter MyungHee Lee, and GunHee Lee, respectively. CJ and Shinsegae also consist of multiple affiliated firms and regard as a business group.

economic efficiency. Second, the paper introduces the framework of family successions in South Korea. The business groups with multiple heirs have incentives to group-spinoff for succession, which is named as group-succession. These groups also transfer managerial controls to incompetent heir through group-successions. The paper focuses on family succession within the chaebols that have gone through group-successions. These business groups strategically utilize corporate giving for social approval on incapable heir-succession. Third, this paper applies theoretical model to interpret empirical test results. The model is derived from the trade-off model on benefits and costs of delegated management in family firm (Burkart et al., 2003). The model and results contribute on improving economic efficiency by exposing family-driven agency problems.

Section 2 provides existing studies about corporate philanthropy and background on framework of family successions in Korea. In this section, the welfare maximization model between family chairman and minority shareholders substantiates how social approval is induced during succession in family firms. Section 3 describes data construction and methodology that this paper uses. Section 4 shows empirical test results and analyzes the relationship between corporate giving and internal successions. Section 5 offers conclusions and directions for the future research.

II. Background

i. Literature Review

Existing literatures have examined agency problems regarding corporate donation. Masulis and Reza (2015) finds the positive relationship between corporate charitable contributions and private preferences of CEOs using the 2003 Tax Reform Act as a natural

experiment. The paper asserts diversions of corporate resources by examining the amount of corporate giving increases as the valuation of firm cash holdings decreases. The expropriation storyline is also substantiated by the positive relationship between director-affiliated charity donations and CEO compensation. Many literatures cover agency problems of corporate donation in firms managed by external CEOs; however, lack of studies investigates family-run firms. This study focuses on misuses of charitable contribution in family-run firms of which major shareholders are family members. Unlike other literatures, this paper emphasizes the agency problems between majority shareholders as family members and minority shareholders.

As family groups transfer top executive positions to family heirs, an agency problem may be aggravated. Since family firms select the next successor within the pool of blood ties, retaining management inside the family increases the human capital risk and reduces the profitability of the firm. Bertrand et al. (2008) shows that the within-family dynamics affect the firm's performance and governance in business groups. After the founder's death, the involvement of the founder's son in ownership and board membership is negatively associated with firm's performance level. According to Perez-Gonzales (2006), founder-controlled firms have lower earnings than widely held firms; however, heir-controlled firms result in even lower performance. Morck et al. (2000) also uncovers that heir-controlled firms have relatively lower returns on sales and assets compared to corresponding firms. These underperformances are due to limited human resources.

Despite of the fact that family-run firms underperform than comparable firms, the family chairman still endeavors to preserve internal controls in the business group. There are benefits of keeping family controls. The first benefit is 'Amenity Potential.' Demsetz and Lehn (1985) introduces this concept, defined as non-financial private benefits of control.

Nonpecuniary benefit refers to welfare of family that does not derive from profitable expenses. This benefit only occurs when family member preserves the managerial control. In addition, family can retain both economic and political reputations from the preservation of family control. Faccio et al. (2002, 2006) emphasize reputational benefits of family to keep close relationship with the government. The last benefit is to prevent expropriation of external investors, such as professional manager. Burkart et al. (2003) mainly focuses on reducing misappropriation of outside investors by monitoring them in the stance of large shareholders.

Many studies cover the benefits and costs of family-run firms; yet, these studies posit the benefits of family members and of outsiders as tradeoff. This paper examines the equilibrium by maximizing both family chairman and dispersed shareholders' wealth. I define heir-succession without social approval from minority shareholders as family perk. Family groups that require social approvals on internal succession from external stakeholders may appease them using corporate philanthropy. Thus, dispersed shareholders' wealth may be maximized through corporate giving. On the other hand, family may utilize amenity potential to maximize own welfare.

The followings are the contributions of this paper. First, this paper uncovers family-driven agency problem by investigating internal successions along with corporate philanthropy. Revealing diversions of corporate resources and associating it with a family event, such as succession, may raise economic efficiency by allocating financial resources properly. Moreover, this paper classifies internal successions of family business groups in Korea using group-succession. Furthermore, this paper also explains the empirical test results applying the model, derived from the theoretical model in Burkart et al. (2003).

ii. The Framework of Internal Successions in Family Groups

(Figure 1)

Group-succession, in this paper, defines as the unique succession event within the family-controlled business groups. The entire group-affiliated firms are divided into two distinct business groups, succeeded by family members. Family business groups with multiple heirs usually go through group-successions. In Korea, it is widely accepted to transfer managerial control to the next generation in family business groups. Since non-group-succession chaebols only have one potential successor, who is the most competent, they are easier to obtain social approval from minority shareholders. On the other hand, every heir in group-succession chaebols could take over the managerial control, regardless of their capabilities.

As shown in Figure 1, the current chair prepares for heir to succeed his position. The heir will be the next chairman and the position of chairman requires social approval. To gain public recognition and reputation for social preference, the heir needs to be an executive director. The business groups with multiple promising successors also include unqualified heir. This unskilled heir requires extra resources for verification. Before promotion for executive director-level, the current chair will spend corporate resources to prepare for it. This paper terms this period as preparation.

iii. Model

$$\max_{S=\{F,P\},\ CG=\{0,1\}} \quad \alpha[E(S) - \beta \cdot CG] + AP \cdot 1_{\{S=F\}} \tag{1}$$

$$s.t. \quad (S^*, CG^*) = \text{argmax} \quad (1-\alpha)[E(S) - \beta \cdot CG] + k \cdot \mathrm{B} \cdot CG \tag{2}$$

Family firms utilize 'amenity potential,' non-financial private benefits, to maximize chairman's welfare during the succession (Burkart, Panunzi et al., 2003). In the upper model, *AP* stands for amenity potential and *S* is the type of successor. *F* refers to family heir and *P* refers to the professional manager. Amenity potential is only available when the chairman succeeds his position to family heir instead of external manager. α is the fraction of the shares that family keeps the control and $(1-\alpha)$ remains to dispersed shareholders. The family chairman has a duty to maximize the firm's utility, including his own welfare. *CG* is dummy variable indicating 1 if the family chairman engages in corporate donation and β is the amount of donation. Since k is the fraction of the benefits accrued to the minority shareholders and *B* is total benefit distributed to entire stakeholders, $k \cdot B$ refers to the amount of benefit that shareholders enjoy from corporate donation. The family chairman has a goal to maximize his welfare; however, this subjects to minority shareholders' welfare. It means that the succession requires approval from dispersed shareholders.

$$\pi = \alpha[E(S) - \beta \cdot CG] + AP \cdot 1_{\{S=F\}} \quad , \quad (0 \leq \alpha < 1) \tag{3}$$

$$\Omega = (1-\alpha)[E(S) - \beta \cdot CG] + k \cdot \mathrm{B} \cdot CG \quad , \quad (\mathrm{E(P)\text{-}E(F)} = \varphi > 0) \tag{4}$$

The chairman's welfare π consists of economic benefit with the stake of shares and nonpecuniary amenity potential. Family can acquire amenity potential, such as a pleasure of family chairman succeeding the position to his descendants, only when the chairman succeeds his position to family member. On the other hand, the welfare of minority shareholders Ω is consisted of economic surplus and benefits from corporate giving. The chairman's welfare can be maximized only if the social welfare Ω is also in the maximum.

$\pi(F,1)$ and $\Omega(F,1)$ are in equilibrium, despite of the second best nature of the solution to both chairman and minority shareholders, respectively. The detailed proof is in Appendix A. To maximize both family chairman and shareholders' welfare, this paper presumes the following assumptions. First, family heir is less competent than external manager. This assumption defines as positive φ, which is E(P)-E(F). Second, (F,1) is the equilibrium choice only if minority shareholders are socially conscious ($k \cdot B > (1-\alpha) \cdot \beta$) and amenity potential for family is sufficiently large ($AP > \alpha \cdot \varphi$). With these assumptions, the equilibrium comes up with the solution of (F,1), indicating family heir successor and engagement of corporate giving. In this setting, both family chairman and minority shareholders could maximize each of welfare.

To examine what succession dynamics in family business groups lead to engage in corporate philanthropy, this paper relates internal succession event with corporate donation and tests the following hypotheses:

Hypothesis 1. The family chairman actively engages in corporate giving to pass managerial control to family heir before the succession.

Hypothesis 2. The amount of corporate giving that family chairman engages in is in the inverse proportion to the stake of shares he owns.

III. Data and Methodology

i. Data Construction

This section provides a brief description of dataset and its summary statistics. The data sample includes companies listed on the market of Korea Stock Exchange (KOSPI), including delisted companies, from January 1985 to December 2020. The final sample of this

paper consists of total 4,154 firm-year levels from the largest 57 business groups[2] based on the classification standard from the Korean Fair Trade Commission's (KFTC, a Korean Anti-trust Authority) during the sample period. Since 2001, KFTC annually designates and reports the list of business groups by total assets. For the period before KFTC reports, I assign the business group by collecting the 30 largest business groups in total assets, by following Joh (2003). Among 57 family business groups, total 13 business groups had experienced the group-succession during the sample period. These groups are summarized in Table 1.

(Table 1 here)

Corporate giving data of business groups is available from 1981 in TS2000, since KFTC has required business groups to disclose detailed financial and accounting report from early 1980s. The data sample starts from 1985 as minority shareholders' stake data is only available from 1984. Minority shareholders' stake data is necessary to proxy for chairman-owned share data. As data of the chairman's stake is disclosed from 1998, the missing data for 1997 of several business groups[3] is replaced by the complement set of minority share data.

I construct the dependent variable, CORPORATE GIVING, by following Masulis and Reza (2015). Corporate giving data is normalized by total assets and sales to standardize giving data across firms. To address the right skewness of corporate giving data, I also take

[2] The 57 family business groups are Amore Pacific, Anam, Celltrion, CJ, CN, Daehan Haewoon, Daelim(DL), Daesang, Daesung, Daewoo, Dongbu(DB), Dongkuk Steel, Dongyang, Dongwon, Doosan, Eugene, Eland, Halla, Hanjin, Hanjin Heavy Industry, Hankook Tire, Hanhwa, Harim, Hite, Hyosung, Hyundai, Hyundai Development Company(HDC), Hyundai Heavy Industry, Hyundai Motor, Jinro, Kakao, KCC, Kolon, Kumho, Kyobo Life Insurance, Lotte, Meritz, MiraeAsset, Naver, Netmarble, Nongshim, OCI, Orion, Samsung, Samyang, Samchully, Seah, Shinsaegae, SK, SM, SSangyong, STX, Taekwang, Taeyoung, Taihan Elect, Woongjin, YoungPoong

[3] CJ, Shinsegae, and Dongwon do not contain chairman's share data. For these groups, this paper uses the complement set of minority share data as a proxy for chairman's share.

the natural logarithm of one plus normalized corporate giving. Since the natural logarithm of scaled corporate giving is small fraction relative to total assets, I multiply by 1000 (Masulis and Reza 2015).

As explanatory variables, I construct group-succession dummy variable (GROUP-SUCC), preparation dummy variable (PREPARATION), and chair share variable (CHAIR). The dummy variable GROUP-SUCC has a value 1 if the firm has experience of group-succession event, a spinoff for succession during the sample period, otherwise zero. I hand-collect group-succession years from KFTC and news articles. During the sample period, the first group-succession event was held in 1997. Two business groups, CJ and Shinsegae, are separated from Samsung. In this paper, group-succession refers to the division of the entire group-affiliated firms into two individual subgroups, each controlled by the family successors. This is a particular succession event in the family business groups. For PREPARATION dummy variable, I assign 1 if year t is in between years of heir's entrance to the group and executive promotion, and zero otherwise. The period after executive-promotion year with the value in PREPARATION dummy variable zero refers to non-preparation period. Preparation for succession is different from succession itself. Succession is the event that family heir takes over the chairman position from current family chair. Since the firms in family business groups are publicly listed, they need proper and sufficient legitimacy of the next group-leader. Thus, family engages in corporate giving intensely right before introducing the heir, the potential chairman, to the public. The social mass recognizes the heir as a future successor if he or she becomes the executive director. Therefore, the years before this announcement of elevation refer to preparation for succession period. I symmetrically match the period of preparation and non-preparation periods. I also hand-collect executive promotion and succession event data of family business groups from KFTC

and news articles. CHAIR variable is the amount of shares that chairman owns in the business group. KFTC provide family-share data, such as internal or chairman-owned shares, from 1997; however, this data period is too short to cover every business group. Thus, this paper uses the (1-minority share[4]) as the proxy of CHAIR variable for missing data. Lastly, PREPARATION(– /+) n variable is a dummy variable of the corresponding year prior(post) to n years from the point when heir becomes an executive. When n is equal to zero, this variable indicates the year of heir promoting to executive director level.

This paper also constructs additional control variables using annual accounting and financial market data collected from DataGuide, a database offered by the leading Korean financial data provider, FnGuide (Lee et al., 2021). Firm-level control variables include LnAsset, ROA, Leverage, Market-to-Book ratio(MB), and FirmAge (Yermack, 2006; Petrovits, 2006). LnAsset is to control the company size, measured as the natural logarithm of one plus total assets. ROA captures profitability that measured as the ratio of a firm's earnings before interest and tax (EBIT) divided by its total assets. MB is a measure of growth opportunities. Leverage can be considered as a governance variable that measures creditor incentives to monitor the firm and thereby alleviate agency problems that family owners consume firm's resources privately (Masulis and Reza, 2015). FirmAge is the age of a firm in a business group as of the corresponding year. All variables are winsorized at 1st and 99th percentiles across all firm-year observations. Detailed explanation of explanatory variables is provided in Appendix B. Table 2 reports summary statistics of the sample.

(Table 2 here)

[4] Minority share includes both individual and corporate levels.

ii. Methodology

This paper conducts an ex-post analysis to examine the causal relation between the corporate giving and internal succession of family business groups. To figure out whether group-succession affects the amount of corporate giving, the study first compares ex-post analysis of group-succession and non-group-succession chaebols. Ex-period is the period before the heir promotes to an executive director level, which is identical to preparation period for potential chairman. This period is shown as value of 1 in PREPARATION dummy variable. Term after being an executive director level is referred as post-period. Executive director level is an essential stage for heir to become the chairman. Heir receives the social attention from the public as executive director promotion signals as the potential chairman. Thus, to show the positive signaling of the heir regardless of their capabilities, family business groups utilize corporate philanthropy in ex-period for social approval. This signal is more necessary to the chaebols that go through group-successions. Usually, business groups with multiple heirs require group-successions to make each of them the next successor in subgroups. With this explanation, it is likely to predict intensive donation during the ex-period compared to post-period. The coefficient of interaction term between GROUP-SUCC and PREPARATION variables in Equation (5) may be positive in this explanation. The result of this regression is in Table 3.

$$Log\left(\frac{Corporate\ \ Giving}{Asset\ \ (Sales)}\right)_{i,j,k,t} \tag{5}$$

$$= \beta_0 + \beta_1 Group\_succ_{j,t} + \beta_2 Group\_succ_{j,t}\ \text{x}\ Preparation_{j,t} + Controls_{i,t-1} + Year\ \ FE + Industry\ \ FE + \varepsilon$$

i: firm, j: business group, k: industry, t: year

Equation (5) may contain additional factors other than group-succession issues. Equation (6) is conducted only within 13 chaebols went through group-successions. The coefficient of PREPARATION should be positive to indicate that the corporate giving amount increases prior to executive promotion as lobbying for social approval. I shorten preparation period into two years to highlight the pure succession effect. If the coefficient gets larger with statistical significance, this means that the effect becomes stronger near succession event. Table 4 reports the result of the regression (6).

$$Log\left(\frac{Corporate\ Giving}{Asset\ (Sales)}\right)_{i,j,k,t} \quad (6)$$

$$= \beta_0 + \beta_1 Preparation_{j,t} + Controls_{i,t-1} + Year\ \ FE + Industry\ \ FE + \varepsilon$$

i: firm, j: business group, k: industry, t: year

Equation (7) is for dynamic treatment test to figure out the timing of increase in donation amount. PREPARATION(0) is the year when heir becomes an executive director. If the business group raises the donation one (or two) years prior to the year of executive director promotion, the coefficient of PREPARATION(-1) or (-2) may be positive. If the coefficient size decreases as time goes by, from PREPARATION(-2) to PREPARATION(+1), this may indicate that chaebols do engage in donation actively before the promotion and reduce the amount as incentive disappears. The objective for this test is to disclose the increase timing. Thus, this regression does not contain intercept. Table 5 shows the results of regression (7).

$$Log\left(\frac{Corporate\ Giving}{Asset\ (Sales)}\right)_{i,j,k,t} \quad (7)$$

$$= \beta_1 Preparation(-2)_{j,t} + \beta_2 Preparation(-1)_{j,t} + \beta_3 Preparation(0)_{j,t} +$$
$$\beta_4 Preparation(+1)_{j,t} + Controls_{i,t-1} + Year\ \ FE + Industry\ \ FE + \varepsilon$$

i: firm, j: business group, k: industry, t: year

Last regression (8) is DiDiD(Difference-in-Difference-in-Difference) or conditional test to check whether the amount of corporate giving that family chairman donates is in inverse proportion to the stake of shares he owns. As this paper considers corporate donation as appeasement for social approval from dispersed shareholders, family business groups with sufficient shares and controls do not require this lobbying incentives. Thus, the higher shares that the chairman owns, the lower amount of donation may be. On the other hand, if the share of chairman is less, he may experience higher burden to gain social approval, resulting in more engagement of donation. Therefore, the coefficient of the interaction term between CHAIR and PREPARATION would be negative. The results of regression (8) is in Table 6.

$$Log\left(\frac{Corporate\ Giving}{Asset\ (Sales)}\right)_{i,j,k,t} \tag{8}$$

$$= \beta_0 + \beta_1 Preparation_{j,t} + \beta_2 Chair_{j,t} + \beta_3 Chair_{j,t}\ \text{x}\ Preparation_{j,t} + Controls_{i,t-1} + Year\ FE + Industry\ FE + \varepsilon$$

i: firm, j: business group, k: industry, t: year

IV. Result

This paper provides a causal evidence that transferring a managerial control to family heir is the main motivation of corporate giving in Korean family groups. For all regressions, I use OLS regression model controlling the following firm characteristics: Size(Log of total assets), Market-to-Book ratio, Financial Leverage(Debt-to-equity ratio), and Firm's age. Since Korean business groups transfer control over via group level, I cluster the standard errors at the business-group level. I include industry and year fixed effects. This paper conducts DiD(difference-in-difference) and conditional test to examine the relationship between corporate donation and succession event, and an impact of chair's stake of share, respectively.

i. Difference-in-Difference(DiD) Test for Group-succession

(Table 3 here)

In Table 3, I test hypothesis whether group-succession event affects the amount of corporate giving in business groups. In this paper, group-succession defines as the particular succession event within the family-controlled business groups. The entire group-affiliated firms are divided into two separate subgroups, and each of subgroup will be controlled by family successors. Thus, Chaebols can be classified into two distinctive business groups: 'Group-succession Chaebols' and 'Non-Group-succession Chaebols,' respectively. 'Group-succ' indicator is a dummy variable that has a value of 1 if the business group has an experience of group-succession during the sample period. 'Preparation' is a dummy variable that has a value of 1 if year t is in between years of heir's entrance to the group and of executive promotion. I symmetrically match the periods of preparation and non-preparation and the maximum preparation period is 9 years as the average preparation period for entire business groups is 8.8 years.

The sample of Panel A consists of total 3,474 firm-year levels, which is the entire sample with [-9,+9] periods, and the dependent variable of Ln(Corp. giving/Asset)*10^3. Panel B reports the result with the dependent variable Ln(Corp. giving/Sales)*10^3. The positive coefficients of 'Group-succ' and interaction term variables explain that group-succession chaebols donate more than control groups, especially in preparation period. As shown in column (9) of Panel A, group-succession chaebols engage about 0.44 percent (t-statistics = 1.98) more in preparation period than non-preparation for succession. The result of Panel B is consistent with Panel A showing 0.62 percent with higher statistical significance (t-statistics = 2.64).

ii. Pure Succession Effect on Corporate Giving

(Table 4 here)

Since other factors can influence on increase of corporate giving for group-succession chaebols during the preparation period, I only extract group-succession samples to capture the pure effect of succession. This result shows stronger effect. The result is reported in column (9) of Panel A. The group-succession chaebols raise about 0.45 percent (t-statistics = 2.05) of the corporate giving amount before announcing heir's executive promotion as the succession-preparation process. Panel B, the result on dependent variable of corporate giving normalized by sales, is also consistent with Panel A. If matching periods of preparation and non-preparation shorten to 2 years, the results become stronger. The results in column (3) and (6) of Panel C report 1.12 (t-statistics = 2.02) and 1.1 (t-statistics = 2.09), respectively.

iii. Dynamic Treatment Effect

(Table 5 here)

Table 5 uncovers the dynamic treatment effect of succession event on corporate giving amount to examine the timing of increase in donation. Preparation(-/+) n is the dummy variable of the corresponding year (prior/post) to the year when heir becomes an executive director. I regress this regression without a constant to find out the timing of donation raise. From the column (3) in Table 5, the group-succession chaebols raise the highest amount of donation in 2 years prior to the executive promotion year and the amount reduces after the heir promotes. The result of dependent variable of corporate giving normalized by sales, in column (6), is also consistent with column (3).

iv. Conditional Test

(Table 6 here)

Table 6 is the result of conditional test as DiDiD(Difference-in-Difference-in-Difference) test. Chair variable is the share amount owned by the chairman. Business groups spend more on corporate giving during preparation for succession period. Yet, if the chair has large stakes of share, this trend alleviates. The coefficients of interaction term between 'chair' and 'preparation' variables in column (3) and (6) are shown as negative. The results exclude three business groups, named CJ, Shinsegae, and Dongwon, in this test as they do not contain this data during the test period. However, the results are consistent when I include (1-minority shares) data as a proxy for these groups.

V. Conclusion

This paper explores whether the family business groups, also called as Chaebols, extract corporate resources for their private benefits. I find out that chaebols do spend corporate giving to prepare for family succession, a personal event. Especially, the business groups with smaller stakes of chairman engage more in corporate philanthropy to acquire the social approval. The social utility from the family succession has an impact on retaining political connections. Political network is important in operating the business as it mitigates the regulatory risks. Government officials who have an authority to legislate regulations are sensitive on the public opinion since the general public have voting powers. This connection supports the findings of this paper. A potential successor induces social approval from minority shareholders by engaging in corporate philanthropy to society as this mitigates regulatory risks. Thus, donation benefits both minority shareholders and the family.

Depending on the family-succession dynamics, the amount of corporate giving differs. If the family of business group has multiple heirs, they need more resources to obtain social approval even for incompetent heir. Thus, group-succession chaebols are more actively engage in corporate donations. In addition, family strategically utilizes corporate donation to prepare family-succession. They positively signal heir as a potential successor by donating before promoting him to an executive director level. Since the family group with insufficient stakes of chairman intensely donate in this preparation period, this indicates that there are managerial levels in family do extract corporate giving within the event of succession. This agency problem may trigger loss to the majority of minority shareholders. Thus, it is important to examine the sincere motivation of corporate giving and prevent diversion of firm resources from personal benefits.

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VII. Appendix A : Proof

The followings are equations to explain theoretical intuition. Equation (a) is the welfare of family chairman and equation (b) is the welfare for minority shareholders.

$$\max_{S=\{F,P\},\ CG=\{0,1\}} \quad \alpha[E(S)-\beta\cdot CG]+AP\cdot 1_{\{S=F\}} \tag{a}$$

$$s.t.\quad (S^*,CG^*) = \quad \text{argmax}\ (1-\alpha)[E(S)-\beta\cdot CG]+k\cdot \text{B}\cdot CG \tag{b}$$

$\boldsymbol{\alpha}$ is the stake of shares that family retains; **(1- $\boldsymbol{\alpha}$)** is the stake goes to the minority shareholders

CG is the dummy variable of value 1 if the founder engages in corporate donation, zero otherwise

$\boldsymbol{\beta}$ is the amount of donation

$\boldsymbol{k}$ is the fraction of the benefits accrued to the minority shareholders

B is total benefit distributed to entire stakeholders

$\boldsymbol{S}$ is the type of the successor; **P** refers to the professional manager and **F** refers to family heir

Family chairman's welfare,

$$\pi = \alpha[E(S)-\beta\cdot CG]+AP\cdot 1_{\{S=F\}},\ (\ 0\ \le\ \alpha\ <1\ ) \tag{c}$$

Minority shareholder's welfare,

$$\Omega = (1-\alpha)[E(S)-\ \beta\cdot CG]+k\cdot \text{B}\cdot CG \tag{d}$$

$$\varphi = E(P)-E(F)\ >0 \tag{e}$$

The family chairman or founder maximizes the welfare using 'Amenity Potential(AP),' subject to the utility of dispersed shareholders as equations (a) and (b) show. Let the welfare of the family chairman refers to π and of the minority shareholder refers to Ω as equation (c) and (d), respectively. Here, the

assumption that professional manager($S^* = P$) is more capable of generating pecuniary values than family heir($S^* = F$) is shown in equation (e). When the family owns the entire shares of the firm (α=1), they do not require approval from the minority shareholders. This indicates that the family chairman can decide the successor by himself. Thus, family chairman engages in corporate giving activities only if the minority shareholders have a stake of shares ($0 < (1- \alpha) \leq 1$) more than 0.

In this case, it is always ideal for minority shareholders to succeed chairman position to professional manager, regardless of corporate giving. This is shown by equation (f) and (g) with the assumptions of $0 \leq \alpha < 1$ and $\varphi > 0$. Only minority shareholders need to care about is whether they obtain social benefits or not, when they are socially responsible. Regarding equation (h), Ω(P,1) is the optimal choice for minority shareholders who are more concerned about the social issues rather than economic benefits. If marginal cost of corporate giving exceeds marginal benefit, the optimal choice of the investors could be changed, so the constraint is required in the model. Yet, when passing the control to professional manager, the family chairman's optimal choice is π(P,0) from equation (j), which is different from the investors'. Unlike minority shareholders who prefer CG=1, family chairman could maximize the utility with CG=0.

In case of $S^* = \mathrm{P}$,

$$\Omega_{(\mathrm{F},0)} < \Omega_{(\mathrm{P},0)} \quad (f)$$

$$= (1-\alpha) \cdot \mathrm{E(F)} < (1-\alpha) \cdot \mathrm{E(F)} + (1-\alpha) \cdot \varphi$$

$$\Omega_{(\mathrm{F},1)} < \Omega_{(\mathrm{P},1)} \quad (g)$$

$$= (1-\alpha) \cdot \mathrm{E(F)} < (1-\alpha) \cdot \mathrm{E(F)} + (1-\alpha) \cdot \varphi$$

$$\Omega_{(\mathrm{P},0)} < \Omega_{(\mathrm{P},1)} \quad (h)$$

$$= (1-\alpha) \cdot \beta < \mathrm{k} \cdot \mathrm{B}$$

$$\pi_{(\mathrm{P},1)} < \pi_{(\mathrm{P},0)} \quad (j)$$

$$= \alpha \cdot \mathrm{E(F)} + \alpha \cdot \varphi - \alpha \cdot \beta < \alpha \cdot \mathrm{E(F)} + \alpha \cdot \varphi$$

Despite of the second best nature of the solution for both family chairman and minority shareholders, (F,1) is an ideal solution. π(F,1) and Ω(F,1) are in equilibrium. Family chairman wants S to be F and minority shareholders desire CG to be 1. To make $(S^*, CG^*) = (F, 1)$, two assumptions (k) and (l) are required. Assumption (k) indicates that minority shareholders should be socially conscious and assumption (l) means that amenity potential for family chairman should be large enough. Therefore, π(F,1) and Ω(F,1) are in equilibrium only if minority shareholders are socially responsible and amenity potential is sufficiently large.

$$\Omega_{(P,0)} < \Omega_{(F,1)} \quad (k)$$

$$= (1-\alpha) < \frac{k \cdot B}{(\varphi+\beta)}$$

$$\pi_{(P,1)} < \pi_{(F,1)} \quad (l)$$

$$= \alpha \cdot \varphi < AP$$

VIII. Appendix B : Variable Definitions

Variable Name	Definition
Firm Characteristics	
Corporate Giving/Asset	The logarithm of (1+Corporate Giving / Asset) * 1000
Corporate Giving/Sales	The logarithm of (1+Corporate Giving / Sales) * 1000
Log of Total Assets	The logarithm of total assets of each firm in KRW
Leverage	The debt ratio calculated by total debt divided by total equity
ROA	The ratio of earnings before interest and tax (EBIT) divided by total assets
Market-to-Book ratio(MB)	The sum of the market value of equity and total book assets minus total common equity, all divided by total book assets. The market value of equity is the fiscal-year-end stock price multiplied by total number of shares outstanding
FirmAge	The age of a firm in a business group as of the corresponding year
Explanatory Variables	
Group-succession (Group-succ)	Dummy variable with a value 1 if the firm has an experience of group-succession event, a spinoff for succession during the sample period, otherwise zero
Preparation	Dummy variable with a value 1 if year t is in between years of heir's entrance to the group and executive-promotion, otherwise zero
Preparation(– /+) n	Dummy variable of the corresponding year prior(post) to n years from the point when heir becomes an executive
Chair	The amount of shares that chairman owns in the business group
Minority	The amount of shares that minority shareholders, both individual and corporate, own in the business group

Figure 1: The Framework of Internal Successions in Family Business Groups

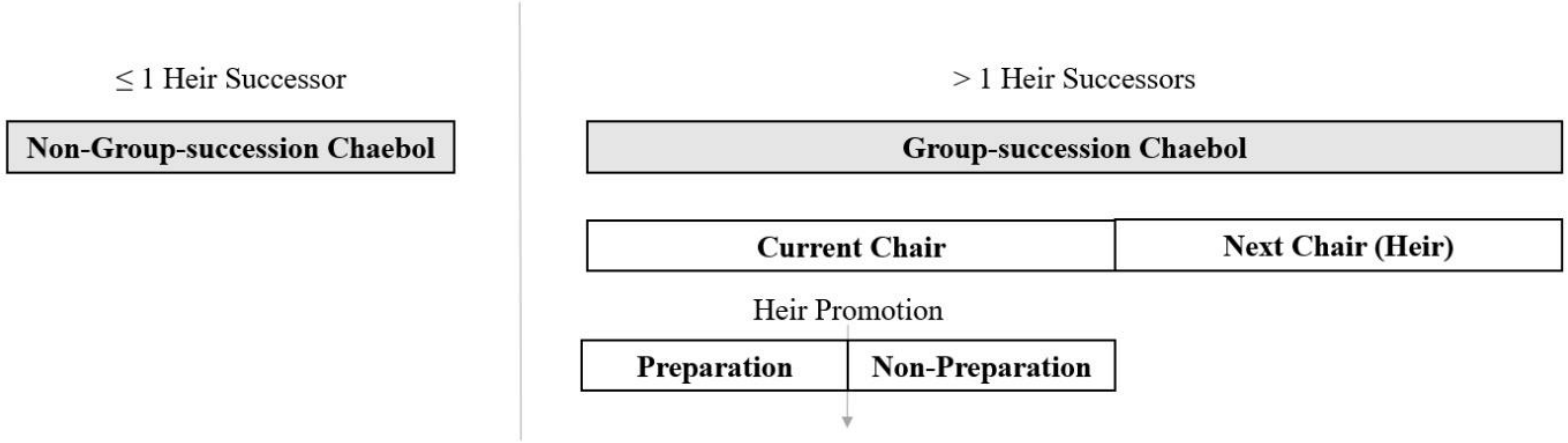

Table 1: The List of Family-Succession Business Groups

The sample consists of 4,154 firm-year level observations from January 1985 to December 2020 from the largest 57 family business groups, also termed as Chaebol families, designated by the Korean Fair Trade Commission (KFTC). The top 57 largest family business groups are classified into two types: (1) Group-succession chaebols, and (2) Non-group-succession chaebols. Group-succession chaebols are 13 business groups that had experienced the group-successions during the sample period. The succession year in the parentheses is the year of inauguration of the new chair in the business group. Year of heir director is when heir as the potential successor becomes an executive.

Group			**Chairman and Succession**				
Type	**Number**	**Name**	**Founder (1st generation)**	**Chairs in 2nd generation**	**Chairs in 3rd generation**	**Heir**	**Year of Heir Director**
Group-Succession Chaebols	1	CJ	Lee, Byung Chul (1938)	Lee, Meng Hee (1987)	Lee, Jae Hyun (1997)	Lee, Jae Hyun	1993
	2	Shinsegae	Lee, Byung Chul (1938)	Lee, Myung Hee (1987)		Jung, Yong Jin	1997
	3	Samsung	Lee, Byung Chul (1938)	Lee, Gun Hee (1987)	Lee, Jae Yong (2018)	Lee, Jae Yong	2004
	4	Meritz	Joh, Joong Hoon (1945)	Joh, Jung Ho (2005)		Joh, Jung Ho	1999
	5	Hanjin	Joh, Joong Hoon (1945)	Joh, Yang Ho (2003)	Joh, Won Tae (2019)	Joh, Won Tae	2004
	6	Hanjin HI	Joh, Joong Hoon (1945)	Joh, Nam Ho (2005)		Joh, Won Kook	2008
	7	Hyundai Motors	Chung, Joo Young (1947)	Chung, Mong Goo (2000)	Chung, Eu Sun (2020)	Chung, Eu Sun	1999
	8	Hyundai	Chung, Joo Young (1947)	Chung, Mong Hun (2000) Hyun, Jung Eun (2003)		Chung, Ji Ee	2006
	9	Hyundai Heavy Industry	Chung, Joo Young (1947)	Chung, Mong Joon (2002)		Chung, Ki Sun	2021
	10	Dongyang	Lee, Yang Gu (1956)	Hyun, Jae Hyun (2001)		Hyun, Jung Dam Hyun, Seung Dam	2009
	11	Dongwon	Kim, Jae Chul (1969)	Kim, Nam Jung (2019)		Kim, Nam Jung	2010
	12	Kumho	Park, In Cheon (1946)	Park, Sung Yong (1984) Park, Jung Gu (1996)	Park, Sam Gu (2006)	Park, Se Chang	2016
	13	Orion	Lee, Yang Gu (1956)	Dam, Chul Gon (2001)		Dam, Kyung Sun Dam, Seo Won	2020

Table 2: Summary statistics

The sample consists of 4,154 firm-year level observations from January 1985 to December 2020 from the largest 57 family business groups, also termed as Chaebol families, designated by the Korean Fair Trade Commission (KFTC). The data is collected as the end of the year data. Corporate giving is the actual expenditure in donation amounts in millions of KRW. Log of corporate giving x 1000 is calculated as the natural logarithm of (1+Corporate giving/Asset(Sales)) to address the right skewness of giving data and to standardize the giving data across firms by assets(sales). Since the giving ratio is too small compared to the asset size, I also multiply by 1000. Log of total assets refers to the natural logarithm of (1+ total assets) in millions of KRW. Leverage refers to debt ratio calculated as firm's total debt divided by its total equity. ROA refers to the ratio of a firm's earnings before interest and tax (EBIT) divided by its total assets. Market-to-Book ratio refers to the sum of the market value of equity and total book assets minus total common equity, all divided by total book assets. The market value of equity is the fiscal-year-end stock price multiplied by total number of shares outstanding. Firm age is the age of a firm in a business group as of the corresponding year. All variables are winsorized at 1st and 99th percentiles across all firm-year observations. Panel A and B show descriptive statistics of the full sample of family business group firms, group-succession, and non-group-succession firms, respectively. Family business group, the Chaebols, consists of group-succession chaebols and non-group-succession chaebols.

Panel A: Financial Characteristics	Obs	Mean	Std. Dev	Min	Median	Max
Corporate giving(mill)	4154	3611.76	10364.84	0.00	505.30	76473.00
Ln (Corporate giving/Asset) x 10^3	4154	1.27	2.32	0.00	0.43	14.23
Ln (Corporate giving/Sales) x 10^3	4154	1.74	3.17	0.00	0.58	20.96
Log of total assets	4154	27.69	1.57	24.27	27.61	31.79
Leverage	4154	22.45	53.48	0.34	9.25	427.30
ROA	4154	0.04	0.07	-0.26	0.03	0.22
Market-to-Book	4154	1.42	0.55	0.88	1.25	4.33
Firm age	4154	36.33	17.11	3.00	36.00	82.00

Panel B: Financial Characteristics	Total Family Business Group (Chaebols)			Group-succession Chaebols			Non-Group-succession Chaebols		
	Mean	Std. Dev	Median	Mean	Std. Dev	Median	Mean	Std. Dev	Median
Observations	4154			1428			2726		
Corporate giving(mill)	3611.76	10364.84	505.30	5039.84	12435.77	792.18	2580.76	8417.48	382.02
Ln (Corporate giving/Asset) x 10^3	1.27	2.32	0.43	1.40	2.49	0.59	1.20	2.23	0.37
Ln (Corporate giving/Sales) x 10^3	1.74	3.17	0.58	1.80	3.21	0.70	1.70	3.15	0.52
Log of total assets	27.69	1.57	27.61	28.16	1.66	28.06	27.45	1.46	27.40
Leverage	22.45	53.48	9.25	27.06	67.82	10.00	20.04	43.97	8.91
ROA	0.04	0.07	0.03	0.04	0.07	0.03	0.03	0.07	0.03
Market-to-Book	1.42	0.55	1.25	1.51	0.62	1.28	1.37	0.51	1.23
Firm age	36.33	17.11	36.00	34.43	16.82	34.00	37.33	17.18	37.00

Table 3: Difference-in-difference(DiD) Test for Group-succession

This table shows the difference-in-difference(DiD) test. The sample period of this table is [-9,+9]. The dependent variable of panel A, B are the logarithm of corporate giving data normalized by total asset and sales, multiplied by 1000. Group-succ is a dummy variable with value of 1 if the business group has experience of group-succession during the sample period, and zero otherwise. Preparation is a dummy variable that has a value of 1 if year t is in between years of heir's entrance to the group and executive promotion, and zero otherwise. Group-succ x Preparation is the interaction term between group-succession and preparation variables. Parentheses are t-statistics and *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

Panel A

Ln(Corp. giving/Asset)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Group-succ	0.2446**	0.3274***	0.3152***	0.3088***	0.1020	0.1889*	0.1650	0.1556	0.1556
	(2.12)	(2.92)	(2.75)	(2.76)	(0.87)	(1.65)	(1.43)	(1.37)	(0.59)
Group-succ x Preparation	0.3897**	0.5169***	0.3056*	0.4919***	0.4789***	0.5534***	0.3067*	0.4398**	0.4398*
	(2.18)	(3.02)	(1.66)	(2.79)	(2.74)	(3.29)	(1.72)	(2.55)	(1.98)
Intercept	1.2014***	8.6714***	2.5543***	6.1530***	1.2253***	8.5329***	2.6545***	4.8927***	4.8927
	(26.82)	(11.59)	(6.62)	(7.27)	(27.71)	(11.20)	(7.13)	(5.67)	(1.37)
N	3474	3474	3474	3474	3474	3474	3474	3474	3474
Firm Controls	No	Yes	No	Yes	No	Yes	No	Yes	Yes
Year FE	No	No	Yes	Yes	No	No	Yes	Yes	Yes
Industry FE	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Clustered by Group	No	No	No	No	No	No	No	No	Yes
Adj. R-sq	0.005	0.102	0.058	0.135	0.060	0.141	0.123	0.183	0.183

t statistics in parentheses
OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.
* p<.10 ** p<.05 *** p<.01

Table 3: Difference-in-difference(DiD) Test for Group-succession

Panel B

Ln(Corp. giving/Sales)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Group-succ	0.2609	0.2053	0.4141**	0.2827*	0.1035	0.0565	0.2490	0.1174	0.1174
	(1.62)	(1.29)	(2.56)	(1.77)	(0.63)	(0.35)	(1.53)	(0.73)	(0.41)
Group-succ x Preparation	0.4252*	0.7010***	0.4414*	0.6493***	0.5588**	0.7666***	0.4542*	0.6175**	0.6175**
	(1.71)	(2.89)	(1.70)	(2.58)	(2.30)	(3.24)	(1.80)	(2.52)	(2.64)
Intercept	1.7026***	5.4400***	2.8773***	2.8913**	1.7263***	5.7237***	2.9279***	2.1689*	2.1689
	(27.31)	(5.13)	(5.29)	(2.40)	(28.09)	(5.33)	(5.55)	(1.77)	(0.47)
N	3474	3474	3474	3474	3474	3474	3474	3474	3474
Firm Controls	No	Yes	No	Yes	No	Yes	No	Yes	Yes
Year FE	No	No	Yes	Yes	No	No	Yes	Yes	Yes
Industry FE	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Clustered by Group	No	No	No	No	No	No	No	No	Yes
Adj. R-sq	0.003	0.065	0.029	0.092	0.061	0.118	0.090	0.146	0.146

t statistics in parentheses
OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.
* p<.10 ** p<.05 *** p<.01

Table 4: Pure Succession Effect on Corporate Giving

This table shows the pure effect of Family Succession event on corporate giving amount. The dependent variable of panel A and B are the logarithm of corporate giving data normalized by total asset and sales, multiplied by 1000. Preparation is a dummy variable that has a value 1 if year t is in between years of heir's entrance to the group and executive promotion, and zero otherwise. Panel C and D reports the results of preparation period 2 years. Parentheses are t-statistics and *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

Panel A

Ln(Corp. giving/Asset)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Preparation	0.8144***	0.8757***	0.7329***	0.8759***	0.8230***	0.8495***	0.3420	0.4488*	0.4488*
	(4.91)	(5.02)	(3.00)	(3.58)	(5.21)	(5.19)	(1.43)	(1.95)	(2.05)
Intercept	0.9849***	2.8145*	0.9817	3.1411	0.9815***	7.8269***	1.4521	8.1030***	8.1030
	(9.55)	(1.77)	(0.73)	(1.53)	(10.06)	(4.76)	(1.15)	(4.00)	(0.73)
N	807	807	807	807	807	807	807	807	807
Firm Controls	No	Yes	No	Yes	No	Yes	No	Yes	Yes
Year FE	No	No	Yes	Yes	No	No	Yes	Yes	Yes
Industry FE	No	No	No	No	Yes	Yes	Yes	Yes	Yes
Clustered by Group	No	No	No	No	No	No	No	No	Yes
Adj. R-sq	0.028	0.062	-0.002	0.033	0.138	0.214	0.125	0.203	0.203

t statistics in parentheses
OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.
* p<.10 ** p<.05 *** p<.01

Table 4: Pure Succession Effect on Corporate Giving

Panel B

Ln(Corp. giving/Sales)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Preparation	0.9430***	1.0116***	1.0906***	1.2133***	0.9017***	0.9377***	0.5122	0.6221**
	(4.23)	(4.26)	(3.34)	(3.68)	(4.24)	(4.19)	(1.60)	(1.99)
Intercept	1.3119***	1.6216	0.4573	2.5726	1.3278***	8.7978***	1.2926	9.8824***
	(9.46)	(0.75)	(0.25)	(0.93)	(10.11)	(3.91)	(0.76)	(3.59)
N	807	807	807	807	807	807	807	807
Firm Controls	No	Yes	No	Yes	No	Yes	No	Yes
Year FE	No	No	Yes	Yes	No	No	Yes	Yes
Industry FE	No	No	No	No	Yes	Yes	Yes	Yes
Clustered by Group	No	No	No	No	No	No	No	No
Adj. R-sq	0.020	0.031	0.007	0.021	0.130	0.179	0.124	0.179

t statistics in parentheses
OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.
* p<.10 ** p<.05 *** p<.01

Table 4: Pure Succession Effect on Corporate Giving

Panel C: Plus/Minus 2 years

	Ln(Corp. giving/Asset)			Ln(Corp. giving/Sales)		
	(1)	(2)	(3)	(4)	(5)	(6)
Preparation	1.2967**	1.1222*	1.1222*	1.2762	1.1096	1.1096*
	(2.07)	(1.89)	(2.02)	(1.60)	(1.46)	(2.09)
ROA		8.6285**	8.6285		9.6394**	9.6394
		(2.50)	(1.36)		(2.18)	(1.37)
Ln(Asset)		-0.6376***	-0.6376		-0.7903***	-0.7903
		(-3.62)	(-1.24)		(-3.50)	(-1.33)
Leverage		0.0014	0.0014		-0.0010	-0.0010
		(0.33)	(0.38)		(-0.17)	(-0.17)
MB		0.5835	0.5835		0.8020	0.8020
		(0.91)	(1.18)		(0.97)	(1.56)
FirmAge		0.0351**	0.0351*		0.0409**	0.0409
		(2.32)	(1.96)		(2.11)	(1.55)
Intercept	0.5847	16.5528***	16.5528	0.2184	20.1231***	20.1231
	(0.22)	(2.97)	(1.10)	(0.07)	(2.82)	(1.17)
N	190	190	190	190	190	190
Firm Controls	No	Yes	Yes	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered by Group	No	No	Yes	No	No	Yes
Adj. R-sq	0.060	0.175	0.175	0.056	0.157	0.157

t statistics in parentheses

OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.

* p<.10 ** p<.05 *** p<.01

Table 5: Dynamic Treatment Effect on Corporate Giving

This table shows the dynamic treatment effect of succession event on corporate giving to examine the timing of increase in donation amount. The sample is the firms with succession event of [-2,+2] period. The dependent variable is the logarithm of corporate giving data normalized by total asset and sales multiplied by 1000. Preparation(0) variable is a dummy variable of the corresponding year when heir becomes an executive director. Preparation (-/+) n is the dummy variable of the corresponding year (prior/post) to n years when heir becomes an executive. Parentheses are t-statistics and *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

	Ln(Corp. giving/Asset)			Ln(Corp. giving/Sales)		
	(1)	(2)	(3)	(4)	(5)	(6)
Preparation (-2)	1.8126***	2.1153**	2.1153**	2.3560***	2.8824**	2.8824**
	(4.21)	(2.27)	(2.36)	(4.31)	(2.43)	(2.63)
Preparation (-1)	1.6915***	1.3858	1.3858*	1.9536***	1.3004	1.3004
	(3.93)	(1.52)	(1.89)	(3.58)	(1.12)	(1.37)
Preparation (0)	1.2454***	0.6217	0.6217	1.6961***	0.9419	0.9419
	(2.89)	(0.77)	(1.06)	(3.11)	(0.91)	(1.30)
Preparation (+1)	1.1955***	0.7795	0.7795*	1.4966***	1.1059	1.1059**
	(2.81)	(1.17)	(1.96)	(2.78)	(1.31)	(2.51)
N	190	190	190	190	190	190
Firm Controls	No	Yes	Yes	No	Yes	Yes
Year FE	No	Yes	Yes	No	Yes	Yes
Industry FE	No	Yes	Yes	No	Yes	Yes
Clustered by Group	No	No	Yes	No	No	Yes
Adj. R-sq	0.193	0.173	0.173	0.191	0.168	0.168

t statistics in parentheses
OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.
* p<.10 ** p<.05 *** p<.01

Table 6: Conditional Test

This table shows the difference-in-difference-in-difference (DiDiD) test. The sample period of this table is [-2 , +2]. The dependent variable of panel A and B are the logarithm of corporate giving data normalized by total asset and sales, multiplied by 1000. Preparation is a dummy variable that has a value of 1 if year t is in between years of heir's entrance to the group and executive promotion, and zero otherwise. Chair is the amount of share that the chairman holds. Chair x Preparation is the interaction term between chair and preparation variables. Parentheses are t-statistics and *, **, and *** denote statistical significance at 10%, 5%, and 1% level, respectively.

	Ln(Corp. giving/Asset)			Ln(Corp. giving/Sales)		
	(1)	(2)	(3)	(4)	(5)	(6)
Preparation	1.4915**	1.3009**	1.3009*	1.5934*	1.4232*	1.4232**
	(2.20)	(2.03)	(2.23)	(1.85)	(1.74)	(2.76)
Chair x Preparation	-5.5738**	-4.9778*	-4.9778***	-7.3545**	-6.5794**	-6.5794***
	(-2.06)	(-1.96)	(-4.42)	(-2.15)	(-2.03)	(-4.42)
Intercept		8.6531**	8.6531		9.2639*	9.2639
		(2.36)	(1.34)		(1.97)	(1.28)
N	172	172	172	172	172	172
Firm Controls	No	Yes	Yes	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Clustered by Group	No	No	Yes	No	No	Yes
Adj. R-sq	0.088	0.211	0.211	0.086	0.192	0.192

t statistics in parentheses

OLS regression with year and industry fixed effects further controlled for. Standard errors are clustered at the business-group level.

* p<.10 ** p<.05 *** p<.01

국문 초록

기업 기부금과 가족 기업집단의 승계

: 국내 기업집단 계열분리를 중심으로

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경영학과 재무금융전공
김경민

본 연구는 국내 가족 기업집단을 대상으로 가족 승계가 기부금에 미치는 영향을 실증적으로 분석하였다. 기업의 자원인 기부금이 기업집단 가족의 사적 동기에 의해 결정된다면 주인-대리인 문제를 야기할 것이다. 본 논문은 한국 시장에서 기부금을 가족의 승계라는 사적영역에서 다룬 첫 연구이며, 이론적 모델을 실증적으로 검증했다는 점에서 매우 중요하다. 실증분석 결과에 따르면, 기업집단이 가족 승계를 할수록 기부에 적극적으로 임하며, 잠재적 동일인 후보인 자녀가 이사급 임원으로 승진하기 직전에 기부금액이 증가하는 것으로 나타났다. 동일인이 가족구성원인 경우 기업집단 내 동일인 지분율이 작을수록 기부금을 통해 소액주주들의 승인을 유도하는 것으로 나타났다. 이는 지배주주들이 가족 승계라는 개인적 동기를 위해 기부금을 전략적으로 유용하여 소액주주들과의 이해관계를 일치시키고자 한다는 것을 시사한다.