IE UNIVERSIDAD

TESIS DOCTORAL/ DOCTORAL DISSERTATION

ENSAYOS SOBRE LA FORMACIÓN, EL GOBIERNO Y EL DESEMPEÑO DE LAS EMPRESAS FAMILIARES: UNA PERSPECTIVA CONDUCTUAL E INSTITUCIONAL

ESSAYS ON FAMILY FIRM EMERGENCE, GOVERNANCE, AND PERFORMANCE: A BEHAVIORAL AND INSTITUTIONAL PERSPECTIVE

ZHIHAO REN

SEGOVIA, 2025

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ABSTRACT

This dissertation, *Essays on Family Firm Emergence, Governance, and Performance: A Behavioral and Institutional Perspective*, examines how family ownership shapes firm behavior and value creation through intertwined cognitive, behavioral, and institutional mechanisms. Building on and extending behavioral theories, it conceptualizes family ownership not merely as a structural attribute but as a dynamic system of intentions, relationships, and competences that evolve with institutional change.

Anchored in China's distinctive context of economic transition, the dissertation brings together three empirical essays to explore the emergence, governance, and performance of family firms. The first essay investigates how family owners, as competent controllers, transform privatized firms into more efficient and value-creating organizations. The second examines how transgenerational intentions arise as cognitive foundations of family firms, shaping long-term strategic behavior and investment horizons. The third explores how social-relational and legitimacy pressures condition board behavior, revealing a decoupling between structural and behavioral independence in family-controlled firms.

Collectively, these studies advance a behavioral and institutional perspective of family firms that move beyond static ownership definitions to explain how intentions, cognition, and institutional contexts jointly shape family firm behavior and outcomes. The dissertation contributes to family business research by integrating insights from ownership competence, behavioral governance, and institutional dynamics, offering a multi-level account of how family control operates across contexts of emergence, governance, and performance. It also extends the study of family firms in emerging

economies by demonstrating how institutional transitions, such as privatization and demographic reforms, activate distinctive cognitive and governance mechanisms.

RESUMEN

Esta tesis doctoral, *Ensayos sobre la formación, el gobierno y el desempeño de las empresas familiares: una perspectiva conductual e institucional*, analiza cómo la propiedad familiar configura el comportamiento organizativo y la creación de valor a través de mecanismos cognitivos, conductuales e institucionales interrelacionados. Basándose en y ampliando las teorías conductuales, conceptualiza la propiedad familiar no solo como un atributo estructural, sino como un sistema dinámico de intenciones, relaciones y competencias que evoluciona junto con el cambio institucional.

Anclada en el contexto singular de la transición económica de China, la tesis reúne tres ensayos empíricos que exploran el surgimiento, el gobierno y el desempeño de las empresas familiares. El primer ensayo investiga cómo los propietarios familiares, en su papel de controladores competentes, transforman las empresas privatizadas en organizaciones más eficientes y generadoras de valor. El segundo examina cómo surgen las intenciones transgeneracionales como fundamentos cognitivos de las empresas familiares, configurando su comportamiento estratégico de largo plazo y sus horizontes de inversión. El tercero explora cómo las presiones sociales, relacionales y de legitimidad condicionan el comportamiento de los consejos de administración, revelando una desconexión entre la independencia estructural y la independencia conductual en las empresas controladas por familias.

En conjunto, estos estudios proponen una perspectiva conductual e institucional de la empresa familiar que trasciende las definiciones estáticas de la propiedad, explicando cómo las intenciones, la cognición y los contextos institucionales configuran conjuntamente su comportamiento y resultados. La tesis contribuye a la investigación

sobre empresas familiares al integrar los enfoques de competencia de propiedad, gobernanza conductual y dinámica institucional, ofreciendo una visión multinivel de cómo opera el control familiar en los contextos de surgimiento, gobierno y desempeño. Asimismo, amplía el estudio de las empresas familiares en economías emergentes al demostrar cómo las transiciones institucionales, como la privatización y las reformas demográficas, activan mecanismos cognitivos y de gobernanza distintivos.

ACKNOWLEDGMENTS

This dissertation is the culmination of years of research, reflection, and collaboration, and I am deeply indebted to the many people and institutions who have guided and supported me along the way. First and foremost, I would like to express my sincere gratitude to Professor Cristina Cruz, my supervisor, for her exceptional guidance, encouragement, and intellectual inspiration. I could not have reached this point without her constant support and generous mentorship. Her insights have been instrumental in shaping my thinking about family firms and in developing the three essays that constitute this dissertation. Her combination of scholarly rigor, intellectual curiosity, and personal warmth has made this journey both challenging and deeply rewarding.

I am equally grateful to the members of my dissertation proposal committee, Professor Nadine Kammerlander and Professor Julio de Castro, for their thoughtful comments and constructive feedback, which have strengthened the theoretical and empirical contributions of this work.

I also owe immense gratitude to my dearest friends and wonderful co-authors, Na and Anabel. I cannot imagine reaching this milestone without their friendship, collaboration, and unwavering support. Na has always been insightful and generous in her help with our research, and words cannot express how fortunate I feel to have met and worked with Anabel, whose empathy, positivity, and understanding have made this journey far less lonely.

My thanks also go to the Entrepreneurship Department for their continuous guidance and constructive suggestions to improve my research. To my PhD cohort and all my friends from the IE PhD program, it has been a privilege to share this journey with

you. I owe special thanks to the PhD Office, particularly Laura and Maria, for their efficiency, kindness, and steadfast support through every stage of my studies.

Finally, I wish to express my deepest gratitude to my parents for their unconditional love, patience, and understanding. Over the past five years, there have been countless moments when I should have been by your side but could not. I owe you more than words can convey, and this accomplishment is as much yours as it is mine.

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INTRODUCTION

Family firms play a central role in the global economy, particularly in emerging markets where they are key engines of entrepreneurship, employment, and economic development (Foo et al., 2020; Luo & Chung, 2012; Luo et al., 2017). Despite their prevalence, debates persist over the mechanisms through which family ownership creates or constrains value. Research has long emphasized the distinctive governance and behavioral features of family firms, such as patient capital, relational governance, and socioemotional wealth orientation—that may simultaneously generate advantages and disadvantages (Aguilera & Crespi-Cladera, 2016; Anderson et al., 2012; Dou et al., 2019; Miller et al., 2007; Stafford et al., 2013). While concentrated ownership can align incentives and strengthen control (Chrisman et al., 2004), it may also produce entrenchment, risk aversion, or governance inefficiencies (Randolph et al., 2018; Zellweger & Kammerlander, 2015).

This dissertation contributes to the family business and corporate governance literature by examining how family ownership shapes firm behavior and value creation through intertwined cognitive, behavioral, and institutional mechanisms. It advances a behavioral and institutional perspective of family firms that moves beyond structural definitions toward understanding *how ownership is exercised*—how owners think, behave, and interact with institutional environments to create or constrain value. Focusing on China, a context where the coexistence of market liberalization and state influence creates both opportunities and institutional frictions, the dissertation reveals how family ownership emerges, governs, and adapts within a transforming economy.

The Chinese Institutional Context

Over the past four decades, China's transition from a centrally planned to a market-oriented system has redefined the corporate landscape. The privatization of state-owned enterprises (SOEs), the rise of private ownership, and the accumulation of family wealth have together fostered the emergence of a new generation of family firms. As shown in Figure 1, family firms have become the dominant organizational form: by 2020, they accounted for nearly two-thirds of all domestically listed companies.

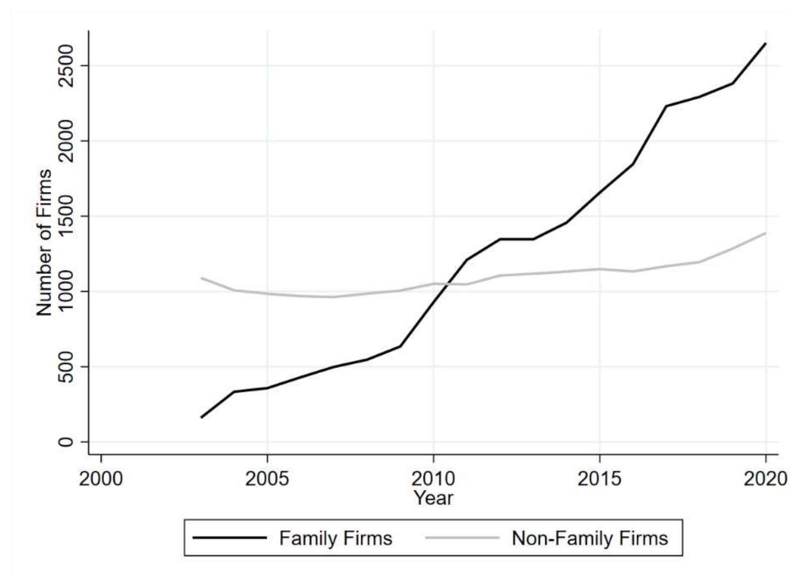

Figure 1 The rise of family firms in Chinese stock market

Yet this transformation unfolded within a distinctive ownership structure. Although SOEs still hold a considerable share of total market capitalization, entrepreneurial and family firms have become the dominant organizational forms in China's corporate landscape. Moreover, China's listed firms are characterized by highly concentrated ownership, with the largest shareholder typically controlling more than 30 percent of equity and the top ten shareholders jointly holding the majority. Figure 2 exhibits this

pattern of persistent ownership concentration, which implies that a small number of dominant controlling owners, whether state or family, possess substantial discretion over firm strategic direction and governance.

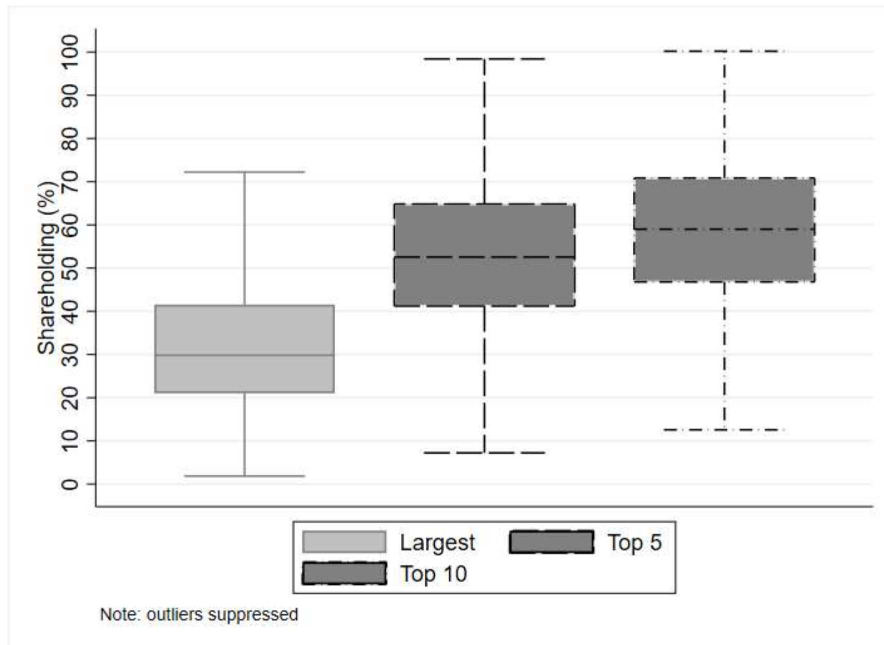

Figure 2 High ownership concentration in China

Nonetheless, China's family firms exhibit mixed origins. As illustrated in Figure 3, many family firms did not emerge purely as new entrepreneurial ventures (*de novo* firms) but through the privatization and restructuring of SOEs, producing a heterogeneous population of *de novo* and privatized enterprises. Importantly, the privatization context provides an opportunity to isolate the effect of family ownership on firm outcomes, as it involves a shift in controlling ownership, from state to family, while the firm's organizational foundation, industry, and market environment remain largely constant. This ownership transition highlights how new family controllers transform inherited state assets through their own competencies. Together, these dynamics make China an

exceptional context for examining how family ownership emerges, behaves, and performs within evolving institutional environments.

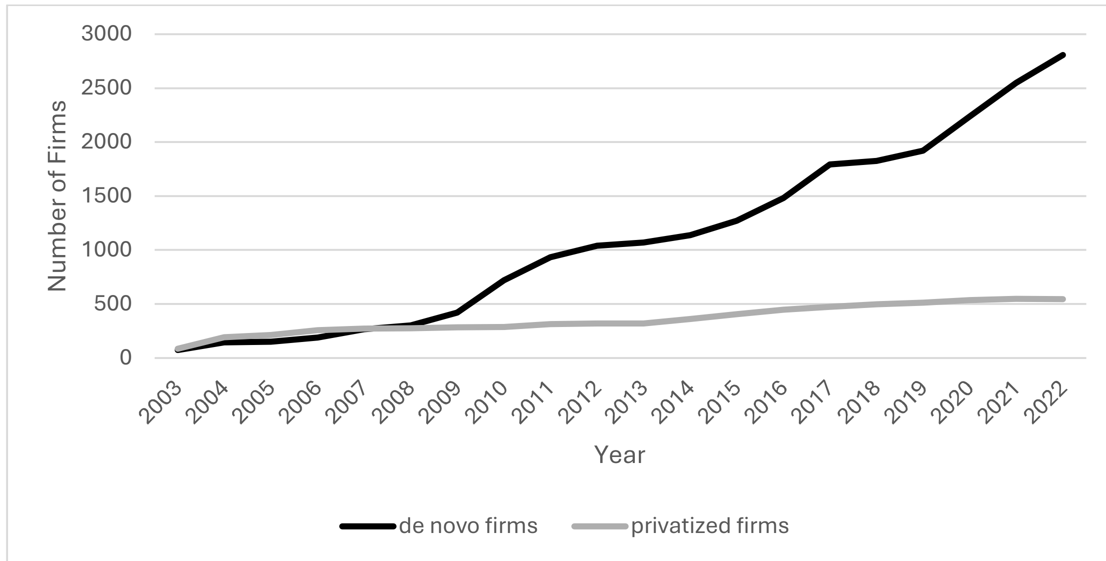

Figure 3 Origins of family firms: de novo vs. privatized enterprises

Building on this unique setting, the dissertation develops three interrelated studies that collectively explore the behavioral and institutional foundations of family firms. Together, these essays explain how family ownership (1) transforms SOEs into value-creating firms through owner competence, (2) evolves through the development of transgenerational intentions that alters an incremental mindset, and (3) shapes the social and behavioral realization of board independence. By integrating insights from ownership competence, behavioral and cognitive perspectives, and socioemotional-wealth (SEW) and behavioral-governance frameworks, the dissertation offers a cohesive view of how family control functions as both an economic and social institution in China.

Overview of the Three Essays

The first essay, *The Competent Owner: Family Control in Post-Privatization Performance*, examines how different controlling owners create value following SOE privatization. Drawing on the ownership competence framework (Foss et al., 2021), it argues that family owners outperform legal-person owners because they possess superior capabilities in governance and resource allocation. Using data from 792 privatized SOEs (2002–2022), the study finds that privatized family firms exhibit significantly higher market performance, productivity, governance quality and resource-allocation efficiency. Political connections further amplify these effects, suggesting that in China's politicized institutional environment, political embeddedness can function as a context-specific competence. By identifying how family owners transform state assets into productive enterprises, this essay redefines family ownership as an active capability rather than a static structural category. This essay extends ownership and privatization research by reframing family ownership as a capability-based system, emphasizing what owners *do* with control rather than merely how much control they hold.

The second essay, *Transgenerational Intentions and the Emergence of Family Firms: Evidence from China's One-Child Policy Reform*, investigates when entrepreneurial ventures become family firms in behavioral terms. Building on Chua et al. (1999), it conceptualizes transgenerational intentions (TGIs), which represents owners' aspirations to transfer control across generations, as the cognitive foundation of family firms. TGIs trigger an incremental mindset, reducing short-term discounting and redirecting attention toward long-term growth and innovation. Leveraging the relaxation of China's One-Child Policy as an exogenous shock to succession feasibility, the study

shows that family firms increased R&D investments significantly more than nonfamily firms after the reform, particularly among lone-founder firms. This essay thus extends the behavioral definition of family firms and introduces a cognitive micro-foundation linking owner intentions to strategic behaviors, bridging implicit-theory research (Dweck et al., 1995b) with family business studies. This essay contributes to the behavioral definition of family firms by identifying TGIs as a cognitive mechanism linking owner intentions to firm-level strategy, thereby bridging family-business and implicit-theory literatures.

The third essay, *Structure Without Voice: Board Independence in Chinese Family Firms*, explores how ownership identity shapes corporate-governance behavior. Drawing on behavioral corporate governance (Westphal & Zajac, 2013), it theorizes and finds evidence of structural–behavioral decoupling: while Chinese family firms appoint a higher proportion of independent directors than SOEs, these directors are less likely to dissent. This paradox arises because family firms face strong legitimacy pressures to comply structurally with governance norms but social and relational constraints, *relational sanctioning* and *reputational containment*, that suppress behavioral independence. Analyzing over 650,000 board proposals from 4,492 listed firms (2003–2023), the study demonstrates that ownership not only determines board structure but also configures the social norms and behavioral expectations that govern director oversight. This essay advances a behavioral view of governance by showing that formal structures alone cannot ensure independence; social and relational processes embedded in ownership identity are equally decisive.

Table 1 summarizes the types of study, methods, level of analysis, research questions, main areas of contribution and findings for the three.

Table 1 Overview of the research framework

Chapters	**Chapter 1** **The Competent Owner: Family Control in Post-Privatization Performance**	**Chapter 2** **Transgenerational Intentions and the Emergence of Family Firms: Evidence from China's One-Child Policy Reform**	**Chapter 3** **Structure Without Voice: Board Independence in Chinese Family Firms**
Type	Empirical quantitative study	Empirical quantitative study	Empirical quantitative study
Research Question	What type of controlling owners is more efficient in improving firm performance?	Does a change in family owners' transgenerational intentions impact firm behaviors?	How does family ownership affect structural and behavioral board independence?
Level of Analysis	Firm-year level	Firm-year level	Firm-year level; Board meeting proposal level
Main Areas of Contribution	Ownership competence; privatization literature	Behavioral definition of family firms; implicit theory	Behavioral perspective of corporate governance
Sample	792 listed SOEs that went through privatization (158 privatized family firms)	2838 listed firms (1745 family firms)	4,492 firms (653,849 board meeting proposals)
Main Findings	Privatized family firms outperform legal-person firms; political connections amplify effect.	Family firms increase R&D after OCP reform; strongest among lone-founder firms.	Family firms appoint more independent directors but experience less dissent.

Integrative Contributions

Together, the three essays form a coherent narrative about how family ownership functions as both a cognitive system and an institutional actor in shaping firm behavior in China. Chapter 1 highlights the *competence-based foundations* of family ownership, showing how capable owners reconfigure inherited institutions through governance,

resource allocation, and political capital. Chapter 2 uncovers the *cognitive emergence* of family firms, showing that family mindset arises not only from structural control but also from evolving intentions. Chapter 3 examines the *behavioral boundaries* of governance under family control, revealing how relational and legitimacy pressures shape the enactment of board oversight.

Integrating these perspectives, the dissertation conceptualizes family ownership as a dynamic system of intentions, competences, and relationships that co-evolves with China's institutional transformation. The findings contribute to theory by (1) linking ownership competence to institutional performance, (2) introducing transgenerational intentions as cognitive foundations of family-business behavior, and (3) reframing board governance as a socially situated process conditioned by ownership and legitimacy logics.

For policymakers, the findings shed light on the governance capacities of family firms in post-privatization economies, offering guidance on how ownership structures can complement regulatory design. For scholars, the dissertation bridges behavioral, cognitive, and institutional theories of family enterprise. For practitioners, it underscores that sustainable value creation in family firms depends not only on ownership concentration but also on the competence, mindset, and relational governance with which ownership is exercised.

INTRODUCCIÓN

Las empresas familiares desempeñan un papel central en la economía global, particularmente en los mercados emergentes, donde son motores clave del emprendimiento, el empleo y el desarrollo económico (Foo et al., 2020; Luo & Chung, 2012; Luo et al., 2017). A pesar de su prevalencia, persisten los debates sobre los mecanismos mediante los cuales la propiedad familiar crea o limita valor. La investigación ha destacado durante mucho tiempo las características distintivas de gobierno y comportamiento de las empresas familiares, como el capital paciente, la gobernanza relacional y la orientación hacia la riqueza socioemocional, que pueden generar simultáneamente ventajas y desventajas (Aguilera & Crespi-Cladera, 2016; Anderson et al., 2012; Dou et al., 2019; Miller et al., 2007; Stafford et al., 2013). Aunque la propiedad concentrada puede alinear los incentivos y fortalecer el control (Chrisman et al., 2004), también puede producir enquistamiento, aversión al riesgo o ineficiencias en la gobernanza (Randolph et al., 2018; Zellweger & Kammerlander, 2015).

Esta disertación contribuye a la literatura sobre empresas familiares y gobierno corporativo al examinar cómo la propiedad familiar da forma al comportamiento de la empresa y a la creación de valor a través de mecanismos cognitivos, conductuales e institucionales entrelazados. Propone una perspectiva conductual e institucional de las empresas familiares que va más allá de las definiciones estructurales, hacia la comprensión de cómo se ejerce la propiedad: cómo los propietarios piensan, actúan e interactúan con los entornos institucionales para crear o limitar valor. Centrándose en China, un contexto donde la coexistencia de la liberalización del mercado y la influencia estatal genera tanto oportunidades como fricciones institucionales, la disertación revela

cómo la propiedad familiar surge, gobierna y se adapta dentro de una economía en transformación.

El contexto institucional chino

Durante las últimas cuatro décadas, la transición de China de un sistema planificado centralmente a uno orientado al mercado ha redefinido el panorama empresarial. La privatización de las empresas estatales (SOEs), el aumento de la propiedad privada y la acumulación de riqueza familiar han fomentado conjuntamente la aparición de una nueva generación de empresas familiares. Como se muestra en la Ilustración 1, las empresas familiares se han convertido en la forma organizativa dominante: para 2020, representaban casi dos tercios de todas las empresas que cotizan en los mercados nacionales.

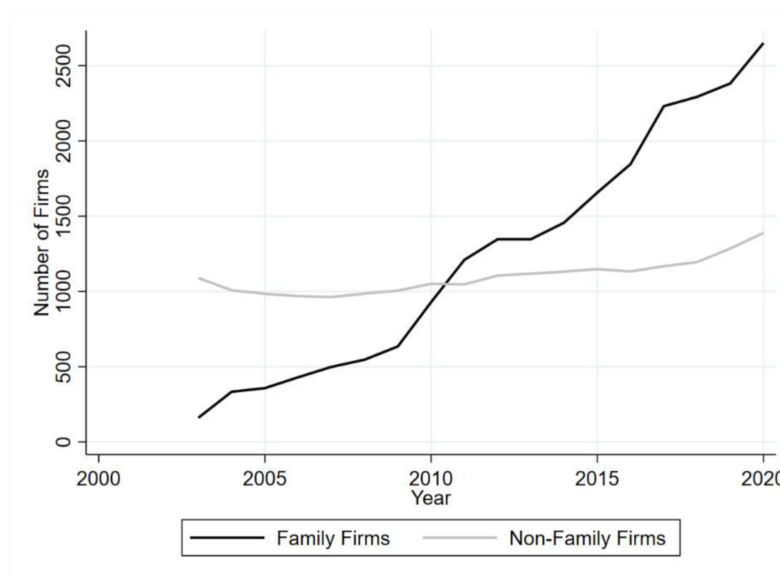

Ilustración 1 El auge de las empresas familiares en el mercado bursátil chino

Sin embargo, esta transformación se desarrolló dentro de una estructura de propiedad distintiva. Aunque las SOEs todavía mantienen una participación considerable del total de la capitalización bursátil, las empresas emprendedoras y familiares se han convertido en las formas organizativas dominantes en el panorama corporativo chino. Además, las empresas que cotizan en China se caracterizan por una alta concentración de propiedad, donde el mayor accionista suele controlar más del 30 por ciento del capital y los diez principales accionistas poseen conjuntamente la mayoría. La Ilustración 2 muestra este patrón de concentración persistente, lo que implica que un pequeño número de propietarios dominantes, ya sean estatales o familiares, poseen una amplia discrecionalidad sobre la dirección estratégica y la gobernanza de las empresas.

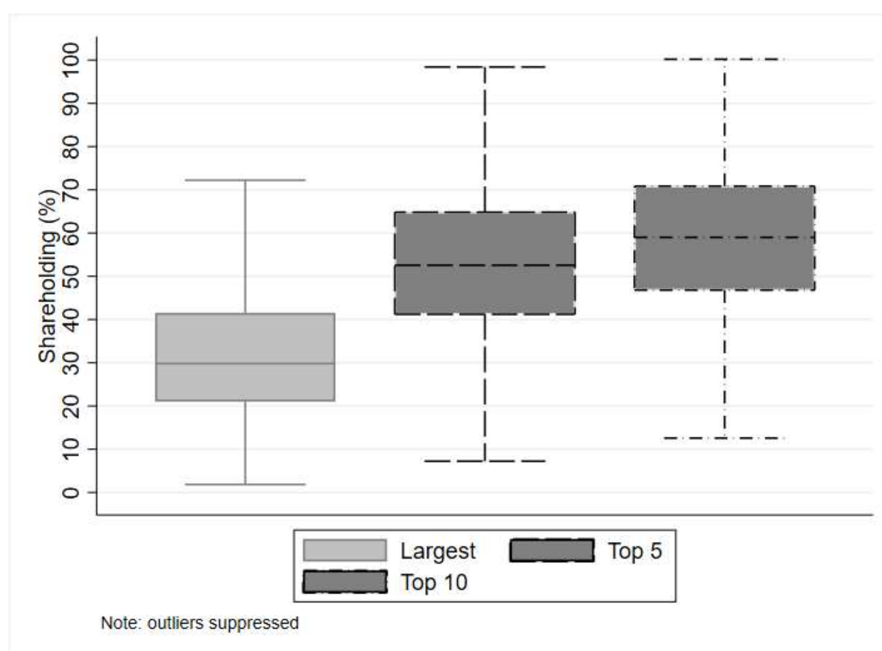

Ilustración 2 Alta concentración de propiedad en China

No obstante, las empresas familiares chinas presentan orígenes mixtos. Como se ilustra en la Ilustración 3, muchas de ellas no surgieron puramente como nuevos

emprendimientos (empresas *de novo*), sino a través de la privatización y reestructuración de SOEs, produciendo una población heterogénea de empresas *de novo* y privatizadas. Es importante destacar que el contexto de privatización ofrece una oportunidad para aislar el efecto de la propiedad familiar sobre los resultados de las empresas, ya que implica un cambio en la propiedad de control, del Estado a la familia, mientras que la base organizativa, la industria y el entorno de mercado de la empresa permanecen en gran medida constantes. Esta transición de propiedad destaca cómo los nuevos controladores familiares transforman los activos estatales heredados mediante sus propias competencias. En conjunto, estas dinámicas hacen de China un contexto excepcional para examinar cómo la propiedad familiar surge, se comporta y desempeña su papel dentro de entornos institucionales en evolución.

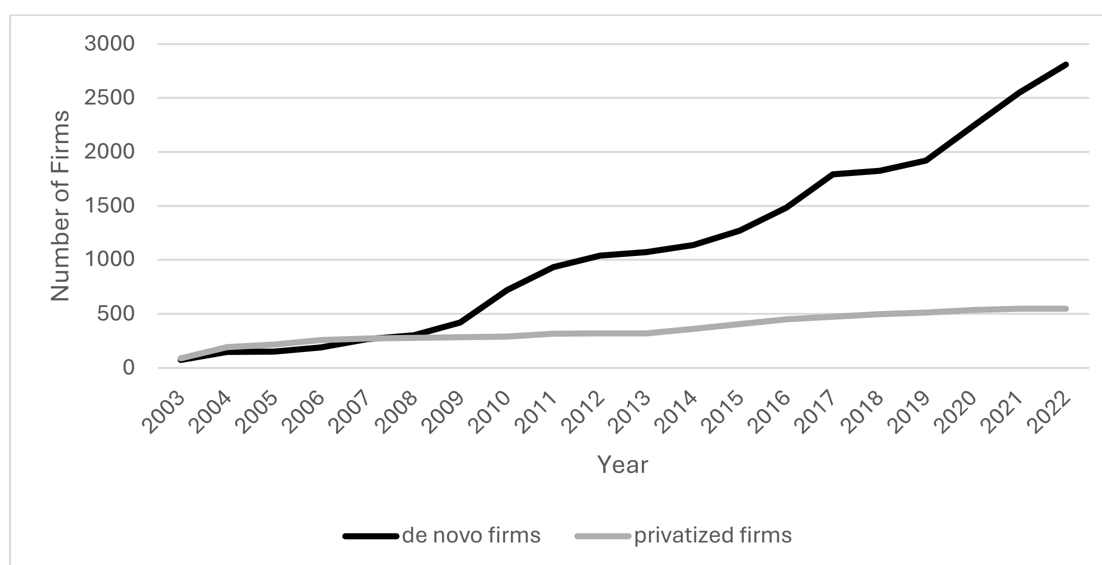

Ilustración 3 Orígenes de las empresas familiares: de novo vs. empresas privatizadas

Basándose en este contexto único, la disertación desarrolla tres estudios interrelacionados que exploran colectivamente los fundamentos conductuales e

institucionales de las empresas familiares. En conjunto, estos ensayos explican cómo la propiedad familiar (1) transforma las SOEs en empresas generadoras de valor mediante la competencia de los propietarios, (2) evoluciona a través del desarrollo de intenciones transgeneracionales que alteran la mentalidad incremental, y (3) moldea la realización social y conductual de la independencia del consejo de administración. Al integrar perspectivas sobre competencia de propiedad, enfoques conductuales y cognitivos, y los marcos de riqueza socioemocional (SEW) y de gobernanza conductual, la disertación ofrece una visión coherente de cómo el control familiar funciona como una institución tanto económica como social en China.

Resumen de los tres ensayos

El primer ensayo, *The Competent Owner: Family Control in Post-Privatization Performance*, examina cómo diferentes propietarios de control crean valor tras la privatización de las SOEs. Basándose en el marco de la competencia de propiedad (Foss et al., 2021), sostiene que los propietarios familiares superan a los propietarios institucionales porque poseen capacidades superiores en gobernanza y asignación de recursos. Usando datos de 792 SOEs privatizadas (2002–2022), el estudio encuentra que las empresas familiares privatizadas exhiben un desempeño de mercado, productividad, calidad de gobernanza y eficiencia de asignación de recursos significativamente mayores. Las conexiones políticas amplifican aún más estos efectos, lo que sugiere que en el entorno institucional politizado de China, la incrustación política puede funcionar como una competencia específica del contexto. Al identificar cómo los propietarios familiares transforman los activos estatales en empresas productivas, este ensayo redefine la propiedad familiar como una capacidad activa más que una categoría

estructural estática. Este ensayo amplía la investigación sobre propiedad y privatización al reformular la propiedad familiar como un sistema basado en capacidades, enfatizando lo que los propietarios hacen con el control en lugar de cuánto control poseen.

El segundo ensayo, *Transgenerational Intentions and the Emergence of Family Firms: Evidence from China's One-Child Policy Reform*, investiga cuándo los emprendimientos se convierten en empresas familiares en términos conductuales. Basándose en Chua et al. (1999), conceptualiza las intenciones transgeneracionales (TGIs), que representan las aspiraciones de los propietarios de transferir el control a través de generaciones, como el fundamento cognitivo de las empresas familiares. Las TGIs desencadenan una mentalidad incremental, reduciendo el descuento a corto plazo y redirigiendo la atención hacia el crecimiento y la innovación a largo plazo. Aprovechando la relajación de la Política del Hijo Único de China como un shock exógeno a la viabilidad de la sucesión, el estudio muestra que las empresas familiares aumentaron significativamente sus inversiones en I+D más que las no familiares después de la reforma, especialmente entre las empresas de fundador único. Este ensayo amplía la definición conductual de las empresas familiares e introduce una microfundación cognitiva que vincula las intenciones de los propietarios con los comportamientos estratégicos, uniendo la investigación sobre teoría implícita (Dweck et al., 1995b) con los estudios de empresas familiares. Este ensayo contribuye a la definición conductual de las empresas familiares al identificar las TGIs como un mecanismo cognitivo que conecta las intenciones del propietario con la estrategia a nivel empresarial, uniendo las literaturas de empresa familiar y teoría implícita.

El tercer ensayo, *Structure Without Voice: Board Independence in Chinese Family Firms*, explora cómo la identidad de la propiedad da forma al comportamiento de la gobernanza corporativa. Basándose en la gobernanza corporativa conductual (Westphal & Zajac, 2013), teoriza y encuentra evidencia de un desacoplamiento estructural–conductual: aunque las empresas familiares chinas nombran una mayor proporción de directores independientes que las SOEs, estos directores son menos propensos a disentir. Esta paradoja surge porque las empresas familiares enfrentan fuertes presiones de legitimidad para cumplir estructuralmente con las normas de gobernanza, pero restricciones sociales y relacionales, como la sanción relacional y la contención reputacional, que suprimen la independencia conductual. Analizando más de 650,000 propuestas de consejos de administración de 4,492 empresas cotizadas (2003–2023), el estudio demuestra que la propiedad no solo determina la estructura del consejo, sino que también configura las normas sociales y las expectativas conductuales que gobiernan la supervisión de los directores. Este ensayo avanza una visión conductual de la gobernanza al mostrar que las estructuras formales por sí solas no pueden garantizar la independencia; los procesos sociales y relacionales integrados en la identidad de propiedad son igualmente decisivos.

La Tabla 1 resume los tipos de estudio, métodos, nivel de análisis, preguntas de investigación, principales áreas de contribución y hallazgos de los tres.

Tabla 1 Visión general del marco de investigación

Capítulos	Capítulo 1 The Competent Owner: Family Control in Post-Privatization Performance	Capítulo 2 Transgenerational Intentions and the Emergence of Family Firms: Evidence from China's One-Child Policy Reform	Capítulo 3 Structure Without Voice: Board Independence in Chinese Family Firms
Tipo	Estudio empírico cuantitativo	Estudio empírico cuantitativo	Estudio empírico cuantitativo
Pregunta de investigación	¿Qué tipo de propietario de control es más eficiente para mejorar el desempeño empresarial?	¿Un cambio en las intenciones transgeneracionales de los propietarios familiares impacta en los comportamientos de la empresa?	¿Cómo afecta la propiedad familiar la independencia estructural y conductual del consejo?
Nivel de análisis	Nivel empresa–año	Nivel empresa–año	Nivel empresa–año; nivel propuesta de reunión del consejo
Principales áreas de contribución	Competencia de propiedad; literatura sobre privatización	Definición conductual de empresas familiares; teoría implícita	Perspectiva conductual del gobierno corporativo
Muestra	792 SOEs cotizadas que pasaron por privatización (158 empresas familiares privatizadas)	2,838 empresas cotizadas (1,745 empresas familiares)	4,492 empresas (653,849 propuestas de reuniones del consejo)
Principales hallazgos	Las empresas familiares privatizadas superan a las empresas de propiedad institucional; las conexiones políticas amplifican el efecto.	Las empresas familiares aumentan la I+D después de la reforma de la Política del Hijo Único; efecto más fuerte entre las empresas de fundador único.	Las empresas familiares nombran más directores independientes pero experimentan menos disenso.

Contribuciones integradoras

En conjunto, los tres ensayos forman una narrativa coherente sobre cómo la propiedad familiar funciona como un sistema cognitivo y un actor institucional que da forma al comportamiento empresarial en China. El Capítulo 1 destaca los fundamentos basados en competencias de la propiedad familiar, mostrando cómo los propietarios capaces reconfiguran las instituciones heredadas a través de la gobernanza, la asignación de

recursos y el capital político. El Capítulo 2 revela el surgimiento cognitivo de las empresas familiares, mostrando que la mentalidad familiar surge no solo del control estructural sino también de las intenciones evolutivas. El Capítulo 3 examina los límites conductuales de la gobernanza bajo el control familiar, revelando cómo las presiones relacionales y de legitimidad moldean la puesta en práctica de la supervisión del consejo.

Al integrar estas perspectivas, la disertación conceptualiza la propiedad familiar como un sistema dinámico de intenciones, competencias y relaciones que coevoluciona con la transformación institucional de China. Los hallazgos contribuyen a la teoría al (1) vincular la competencia de propiedad con el desempeño institucional, (2) introducir las intenciones transgeneracionales como fundamentos cognitivos del comportamiento empresarial familiar y (3) replantear la gobernanza del consejo como un proceso socialmente situado condicionado por la propiedad y las lógicas de legitimidad.

Para los responsables de políticas, los hallazgos arrojan luz sobre las capacidades de gobernanza de las empresas familiares en economías posprivatización, ofreciendo orientación sobre cómo las estructuras de propiedad pueden complementar el diseño regulatorio. Para los académicos, la disertación conecta las teorías conductuales, cognitivas e institucionales de la empresa familiar. Para los practicantes, subraya que la creación de valor sostenible en las empresas familiares depende no solo de la concentración de propiedad, sino también de la competencia, la mentalidad y la gobernanza relacional con las que se ejerce la propiedad.

CHAPTER 1: THE COMPETENT OWNER: FAMILY CONTROL IN POST-PRIVATIZATION PERFORMANCE

ABSTRACT

This study investigates the impact of controlling ownership on firm value in the context of state-owned enterprise (SOE) privatization in China. Drawing on the ownership competence perspective, we argue that the identities and capabilities of new controlling owners of privatized firms significantly affect their post-privatization performance. Focusing on family ownership, a key form of private ownership in China, we hypothesize that privatized family firms outperform privatized legal-person firms due to their superior governance and resource allocation capabilities. Analyzing a sample of 792 privatized SOEs (2002–2022), including 158 family firms, we find that privatized family firms perform better, with those possessing political connections showing even greater improvements.

Keywords: *family control, ownership competence, performance, political connection, privatization*

INTRODUCTION

Who owns a firm and how ownership is exercised fundamentally shapes its strategic direction, governance quality, and capacity for value creation (Miller & Le Breton–Miller, 2011; Uhlaner et al., 2007; von Nitzsch et al., 2024). Traditional theories of ownership emphasize structural attributes such as ownership concentration and incentive alignment as primary mechanisms driving firm performance (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). Yet, growing evidence suggests that ownership matters not only in how much control is held, but *who holds it* and *how that control is exercised* (Foss et al., 2021; von Nitzsch et al., 2024). This shift from ownership structure to ownership competence foregrounds the heterogeneous capabilities of different owners to govern, allocate resources, and shape firm outcomes (Aguilera et al., 2024; Murtinu et al., 2022).

Family ownership is especially salient in this regard as it is the most prevalent ownership form globally (Aguilera et al., 2015). Family owners are also unique: they are often deeply embedded in their firms (Gómez-Mejía et al., 2007), commit patient capital (Lumpkin & Brigham, 2011), and effectively mobilize tacit knowledge and social capital (Baù et al., 2019). Recent scholarship conceptualizes these unique capabilities of owners as *ownership competence*—owner-level abilities to allocate, manage, and transfer resources strategically, guiding organizational governance towards superior firm outcomes (Foss et al., 2021). Yet, despite extensive research, we know little about the conditions under which family owners' competencies actually translate into firm outcomes.

This ambiguity stems in part from a continued reliance on agency theory. Within this framework, family firms are theorized to create value through concentrated ownership that grants family owners control, authority, and incentives to manage the firm distinctively from nonfamily firms (Chrisman et al., 2004; Jensen & Meckling, 1976). While essential, this lens often overlooks the broader set of capabilities owners may bring to the table.

To address these limitations, this study applies the ownership competence framework to the context of state-owned enterprise (SOE) privatization in China. This setting offers a unique opportunity to isolate ownership effects: firms originate from a common state-owned baseline and then diverge into distinct post-privatization ownership forms (Ramamurti, 2000). In Chinese share-issue privatizations, controlling ownership of SOEs can shift to two distinct types of owners. One group consists of family owners, individuals or families who purchase significant equity stakes and exercise direct control. The other group comprises legal-person institutions, entities with bureaucratic mandates or political connections (Sun & Tong, 2003). This variation supports a comparative analysis of ownership competencies across controlling-owner types and their implications for post-privatization outcomes.

We develop two hypotheses about how ownership type and political embeddedness jointly shape firm performance after privatization. First, we propose that firms privatized into family control outperform those under legal-person control. Second, we argue that this performance advantage is amplified when family owners possess political connections.

We argue that privatization into family control represents a qualitative upgrade in ownership competence. Family owners typically exhibit superior governance, matching, and timing competences that allow them to monitor management more effectively, allocate resources strategically, and act decisively (Chrisman et al., 2004; De Massis et al., 2018; Le Breton–Miller & Miller, 2006). In contrast, legal-person owners, frequently offshoots of local governments or state-affiliated entities, tend to perpetuate bureaucratic routines and rent-seeking behaviors, thereby reproducing the liabilities of state ownership (Delios et al., 2006; Ramamurti, 2000). Accordingly, we expect privatized family firms to outperform those under legal-person control.

We further extend this argument by conceptualizing political embeddedness as a context-specific ownership competence. Political ties often represent liabilities that constrain innovation and expose firms to reputational risk in entrepreneurial contexts (Jin & Hu, 2024). Yet in the privatization context of transitional economies like China, where the state remains a dominant market actor, political connections can operate as valuable competences that enable firms to secure resources, navigate regulation, and protect property rights (Li et al., 2018; Tihanyi et al., 2019). We propose that family owners are particularly adept at leveraging such political embeddedness for value creation because their long-term orientation and concentrated incentives align political access with firm performance rather than rent extraction. Consequently, the performance advantage of privatized family firms should be strongest when family owners possess political connections.

Drawing on a sample of 792 listed SOEs in China between 2002 and 2022, we identify 158 firms that transitioned to family control. Our analysis reveals that privatized

family firms significantly outperform those acquired by legal-person owners. Moreover, performance is strongest among family firms with political connections, suggesting that political embeddedness constitutes a critical dimension of ownership competence in post-socialist transitions. Post-hoc analyses support the interpretation that performance gains are driven by superior governance and resource allocation practices.

This study contributes to several important streams of literature. First, we advance the debate on family ownership and firm performance, a literature characterized by mixed empirical findings (e.g., Anderson & Reeb, 2003; Miller et al., 2007; O'Boyle et al., 2012; Wagner et al., 2015). By embedding the ownership competence perspective within the context of SOE privatization, we argue that family controlling owners possess superior governance and resource allocation capabilities relative to institutional public owners, resulting in enhanced post-privatization performance. This moves beyond concentration-based explanations by emphasizing *what owners do* with control. Second, we propose that political embeddedness can be conceptualized as a context-specific competence that enhances value creation in transitional economies. While political ties have been viewed as liabilities relative to entrepreneurial firms (Jin & Hu, 2024), our findings reveal that in highly politicized environments such as China's privatization, political connections can serve as value-enhancing assets when leveraged by capable family owners. Third, our findings help reconcile inconsistencies in privatization literature (McDonald, 1993; Omran, 2009; Radić et al., 2021). Many studies on ownership and post-privatization firm value assume homogeneity among owners post-privatization (Frydman et al., 1999), overlooking the specific characteristics of new controlling owners. We show that who the new controller is, and the competencies they wield, drives post-privatization performance.

EMPIRICAL CONTEXT

The Emergence of Private Economy and SOE Privatization in China

Since China's economic reforms in 1978, private ownership has expanded significantly, driving economic growth (Li et al., 2012). Initially constrained by state control, the private sector gradually gained legitimacy, with private firms now contributing substantially to GDP and employment (Ahlstrom et al., 2008). This shift has been witnessed by the rise of entrepreneurial and family-owned businesses, which have emerged as important economic actors alongside SOEs (Cull & Xu, 2005; Li et al., 2012).

A major policy initiative facilitating this economic transformation has been the SOE privatization. China's large-scale privatization of SOEs began in the mid-1990s. Between 1995 and 2005, approximately 100,000 firms, representing assets totaling 11.4 trillion *yuan*, transitioned from state to private ownership, effectively privatizing two-thirds of China's state assets (Gan, 2009). This large-scale privatization has been instrumental in transforming China's economic landscape, positioning the private sector as a dominant force in the nation's industrial output.

Share issue privatization (SIP) has been a pivotal method in China's approach to privatizing SOEs (Wei et al., 2005). Introduced in the 1990s, SIP involves the partial sale of SOE shares to private investors through public stock markets, while enabling the government to retain a controlling stake (Huyghebaert & Quan, 2009). However, empirical evidence on SIP outcomes in China has been mixed—while some firms benefited from market-oriented governance, others struggled with inefficiency and political constraints (Chang & Wong, 2004; Qi et al., 2000). As Yuchuan Huang, former China Country

Director for the World Bank, asserts: "*I don't think selling minority shares in SOEs would make much difference from a governance perspective. Ultimately, it depends on who controls the company and whether the management team was selected through political or business channels*" (Xinhuanet, 2014). This highlights the inherently politicized nature of SIP in China, where the partial privatization often fails to alter the controlling ownership of the government in SOEs (Wei et al., 2005).

In SIP, five owner types may acquire shares: state owners, legal-person owners, employee owners, foreign owners, and private owners (Pan et al., 2022; Wei et al., 2005). However, due to the legal regulations of the Chinese stock market, only legal-person and private owners can acquire controlling ownership of these firms in the Chinese stock market (Sun & Tong, 2003). Distinct from individual or family owners, legal-person owners are institutional entities—local government agencies, SOE asset management companies, and financial institutions (Sun & Tong, 2003; Wei et al., 2005)—with strong state roots (Delios & Wu, 2005).

Despite the growing prominence of private ownership, and family firms in particular, privatization research has largely overlooked them (Pan et al., 2022). Given their unique incentives (Schulze et al., 2003) and capabilities (Chrisman et al., 2015; Foss et al., 2021), family ownership may offer new insights into performance variation among privatized firms.

THEORETICAL FRAMEWORK

Ownership and Firm Performance

Ownership types fundamentally shape firm outcomes by influencing governance mechanisms, managerial accountability, and strategic orientations (Boyd & Solarino, 2016; Federo et al., 2020; von Nitzsch et al., 2024). Research highlights that diverse ownership structures, ranging from concentrated family control to dispersed institutional ownership or state dominance, carry distinct implications for corporate governance effectiveness and strategic decision-making (Aguilera & Crespi-Cladera, 2016). Each ownership type embeds unique incentives, risk preferences, and managerial oversight capabilities, leading to varied firm outcomes across different institutional contexts (Aguilera et al., 2024; von Nitzsch et al., 2024). Among these diverse forms, family ownership attracts significant scholarly interest due to its widespread prevalence and distinctive governance characteristics (Aguilera et al., 2024; Aguilera et al., 2015).

The relationship between family ownership and firm performance remains a core yet inconclusive area of inquiry within management and finance research (Ghalke et al., 2023; Singal & Singal, 2011). Empirical evidence has shown varied outcomes, with some studies documenting superior performance among family firms due to aligned interests, long-term orientation, and stewardship behaviors (Anderson & Reeb, 2003; Le Breton–Miller & Miller, 2006; Miroshnychenko et al., 2024), whereas others report negative or neutral effects, attributing these to nepotism, altruism, or underinvestment in professional management (Bloom & Van Reenen, 2007; Lien & Li, 2014; O'Boyle et al., 2012; Pérez-González, 2006). Wagner et al. (2015) conclude through a meta-analysis that these

divergent findings reflect contextual contingencies, such as firm size, public listing status, and cultural environment.

A substantial body of family business literature draws on agency theory to explain the performance implications of family ownership, emphasizing that concentrated ownership can reduce agency conflicts by aligning managerial interests with those of shareholders (Chrisman et al., 2007; Chrisman et al., 2004; Schulze et al., 2003). However, this reliance on agency theory has also contributed to inconsistent findings in the literature, as agency relationships in family firms are inherently complex (Chrisman et al., 2004). Family firms may experience both agent–principal conflicts between owners and managers and principal–principal conflicts among different shareholder groups (e.g., controlling families vs. minority investors) (Chrisman et al., 2024). Moreover, agency theory primarily focuses on incentive alignment (Jensen & Meckling, 1976), while overlooking broader ownership competences—such as resource allocation skills, strategic judgment, and firm-specific knowledge (Foss et al., 2021). Consequently, prior research has struggled to fully capture how family owners' distinctive capabilities influence firm performance.

To address this gap, a more nuanced theoretical lens is required, one that moves beyond simplistic binary comparisons between family and nonfamily firms. The recent ownership competence perspective complements agency theory by explicitly highlighting the distinctive competencies family owners contribute to governance and resource allocation (Foss et al., 2021), thereby offering a richer understanding of how family ownership uniquely influences firm outcomes.

Ownership Competence Framework and Contextual Dynamics in Privatization

Owners, by virtue of their residual control rights, have the ultimate authority to allocate firm resources according to their idiosyncratic theories of value (Alvarez et al., 2020; Foss et al., 2021). This authority allows the owners to apply their unique judgment in strategically allocating resources, influencing firm performance and value creation outcomes (Foss et al., 2021; von Nitzsch et al., 2024). This underscores the importance of ownership identity, as the controlling owner's capabilities are crucial to understanding firm value creation. The ownership competence framework explicitly addresses this heterogeneity by highlighting differences in owners' abilities to effectively create value (Foss et al., 2021), offering a promising explanation for the inconclusive empirical findings regarding the ownership-performance relationship.

As Foss et al. (2021) propose, a firm's value creation depends on both incentives and competence of the owners. Ownership competence encompasses three key dimensions: what to own (matching competence), how to own (governance competence), and when to own (timing competence). This perspective enriches the traditional agency view by recognizing the diverse capabilities of controlling owners. Rather than contradicting agency theory, it extends its insights by emphasizing that ownership competence can contribute to reducing agency costs and enhancing firm value creation. Moreover, the extent to which ownership competence affects firm value creation is also likely to be context-dependent (Boudreaux et al., 2019; Foss et al., 2019; Foss et al., 2021). Factors such as owners' work experience (von Nitzsch et al., 2024) and political background (Tihanyi et al., 2019) may enable or constrain their ability to make effective strategic decisions, such as pursuing firm growth (Foss et al., 2021).

Privatization is an ideal setting to observe these dynamics because it replaces relatively homogeneous state control with heterogeneous private controllers (Megginson & Netter, 2001). Before privatization, SOEs are typically governed by relatively homogeneous ownership structures (i.e., state owners), typically characterized by bureaucratic and politically driven decision-making (Sun & Tong, 2003). Privatization disrupts this uniformity by transferring residual control to different owner types (e.g., family vs. legal-person owners), creating clean variation in who allocates resources and how.

Empirical findings regarding the effects of privatization on firm performance reveal variability, suggesting that not all ownership transitions equally enhance firm value (Radić et al., 2021). For example, Megginson et al. (1994) observed significant performance enhancements among 61 privatized firms in 18 countries, while Boubakri and Cosset (1998) documented substantial financial and operational improvements in 79 privatized enterprises from developing countries. However, studies on Eastern European privatizations reported minimal or no performance improvements (Aussenegg & Jelic, 2007), while research on Russian privatized enterprises indicated that a majority failed to achieve anticipated efficiency gains (Wright et al., 1998). This empirical variability suggests that ownership change per se is insufficient; what matters is the identity and competence of the new controlling owners.

HYPOTHESES DEVELOPMENT

Contextualizing Ownership Competence in SOE Privatization in China

Privatization transfers ownership and control rights from the state to private actors, but we argue that the outcomes depend on whether the transition represents an upgrade in

ownership competences. In China, two primary groups acquire the controlling ownership of privatized SOEs: legal-person owners and family owners (Sun & Tong, 2003). Legal-person entities, often established under local government influence, may bring localized knowledge and informational advantages, yet they frequently inherit the bureaucratic routines, political objectives, and rent-seeking behaviors of state ownership (Delios & Wu, 2005; Delios et al., 2006). As a result, their governance, matching, and timing competences remain constrained.

By contrast, when families acquire control, the transition is not only from public to private ownership (Xia & Walker, 2015), but also from low to high ownership competence. First, families possess stronger matching competence: their tacit knowledge, long-term vision, and transgenerational goals (De Massis et al., 2018; Sauerwald et al., 2019) allow them to select opportunities aligned with value creation, while their extensive networks and social capital provide access to critical resources (Arregle et al., 2007; Baù et al., 2019). Second, families demonstrate superior governance competence: concentrated financial stakes and family involvement reduce agency costs and strengthen oversight, in contrast to the weak accountability of legal-person entities (Chrisman et al., 2004; Le Breton–Miller & Miller, 2006). Third, families display greater timing competence: their centralized authority and lower levels of formalization enable faster (Wally & Baum, 1994), more flexible decision-making, while their long-term orientation supports strategic patience (Lumpkin & Brigham, 2011). Taken together, privatization into family control represents a competence upgrade, while privatization into legal-person ownership often reproduces the inefficiencies of state ownership.

Hypothesis 1 (H1): Privatized family firms are associated with higher post-privatization performance compared with privatized legal-person firms.

Political Embeddedness as a Context-Specific Competence

The ownership competence framework also highlights that competences are context-dependent (Boudreaux et al., 2019; Foss et al., 2021, 2023). Political ties provide a clear illustration. In entrepreneurial contexts, political connections are often seen as liabilities because they expose firms to rent-seeking pressures, reputational risks, and political interference (Huang et al., 2024; Jin & Hu, 2024). In highly politicized contexts like China' privatization (Wei et al., 2005), however, where the state retains pervasive influence over markets, regulation, and resource allocation (Li et al., 2018; Tihanyi et al., 2019), political embeddedness can operate as a critical ownership competence.

For family firms created through privatization, political embeddedness is especially consequential. Privatization introduces uncertainty and disruption, including restructuring governance, renegotiating legitimacy, and reallocating resources (Djankov & Murrell, 2002; Estrin et al., 2009; Megginson & Netter, 2001). We argue that families already bring governance, matching, and timing competences to this transition, but political ties can amplify these advantages. Connections to government actors reduce transaction costs (Bennedsen et al., 2015), provide privileged access to contracts, financing, and favorable policies (Fisman & Wang, 2015; Li et al., 2018; Wu, Wu, & Rui, 2012), and grant early awareness of regulatory changes (Hillman, 2005; Zheng et al., 2015).

Importantly, while legal-person owners may also hold political connections, their bureaucratic orientation often leads them to deploy these ties for rent-seeking or to

preserve political influence (Faccio, 2006). Families, by contrast, have concentrated ownership and long-term orientations that incentivize them to use political connections strategically for value creation (Wu, Wu, Zhou, et al., 2012). This complementarity between political embeddedness and family competences explains why political ties disproportionately strengthen the performance of privatized family firms relative to legal-person firms.

Thus, we hypothesize that among privatized family firms, the political connections of family owners will be positively associated with firm performance, as these connections can provide a significant advantage in terms of access to resources, regulatory benefits, and strategic opportunities.

> **Hypothesis 2 (H2):** The performance advantage of privatized family firms over privatized legal-person firms is stronger when family owners possess political connections.

RESEARCH METHOD

Data and Sample

We obtained firm-level data, including financial statements and corporate governance information, from the China Stock Market and Accounting Research (CSMAR) database, a widely recognized source in finance and management research (e.g. Banalieva et al., 2015; Krause et al., 2019; Ma & Khanna, 2016). For additional analyses, we supplemented this data with provincial economic information sourced from the National Bureau of Statistics of China. After excluding observations with missing values, our final sample comprises 18,533 firm-year observations from 792 unique firms spanning the

period 1990–2023. All firms in the sample were initially SOEs that underwent a change in controlling ownership (i.e., from state to family or legal-person controlling owners). Among these, 158 firms transitioned into family controlling ownership. To mitigate potential survivorship bias, we allowed firms to enter and exit the sample during the observation period.

Measures

The primary dependent variable used in this study is *Tobin's Q*, a widely recognized metric that measures a firm's stock market valuation relative to its asset base (Richard et al., 2007). *Tobin's Q* is particularly advantageous in the context of this study because it captures market-based performance, which is less susceptible to the distortions that can affect accounting-based profitability measures. In China, regulatory rules permit listed firms to raise equity through rights issues of up to 30 percent of outstanding shares annually. Many firms exploit this provision to secure additional capital, even in the absence of new investment opportunities. This practice can lead to substantial increases in total equity and total assets, complicating the accurate measurement of traditional profitability measures such as return on assets (ROA) and return on equity (ROE) (Sun & Tong, 2003).

The primary independent variable for H1, *Private Family*, is a binary indicator that denotes whether a SOE transitioned to family-controlled ownership. We include several control variables which account for key firm-level characteristics, such as firm size, firm age, leverage, and ROA. In light of the privatization context, we also control for a firm's

operation within a *strategic industry*, a factor often critical for firm performance (Boubakri et al., 2009).

For H2, the independent variable *Political Connect* is a binary measure indicating whether a family owner previously held a government position. In the analysis of H2, we incorporate firm-level control variables along with several owner-specific characteristics, including age, gender, the number of co-directed firms, and the shareholding ratio. Detailed definitions of all variables are provided in Table 2. To address unobserved temporal and firm-specific heterogeneity, all analyses include year and firm-level fixed effects. Table 3 presents summary statistics for the key variables. Notably, approximately 11 percent of the sample firms transitioned from state-controlled to family-controlled ownership. Tobin's Q values range from 0.844 to 10.32, with a mean of 1.874, reflecting the variation in firm market valuations.

Table 2 Definition of variables

Variables	**Definitions**
Tobin's Q	Calculated as the market value of a firm divided by its total assets. This ratio indicates the firm's market valuation relative to its asset base.
Private family	A binary variable indicating whether the controlling ownership of an SOE has been transferred to private owners, including individuals or families. Coded as 1 if ownership is transferred, and 0 if not.
Political connect	A binary variable indicating whether a family owner holds or has held any government official position. Coded as 1 if such a position exists, and 0 if not.
Firm size	The natural logarithm of a firm's total assets.
Firm age	Calculated as the difference between the current year and the firm's establishment year.
Leverage	Calculated as total liabilities divided by total assets. This ratio indicates the proportion of a firm's assets financed through debt.
Strategic industry	A binary variable indicating whether a firm operates in an industry deemed strategically important by the government, such as finance, mining, steel, telecommunications, transportation, utilities, oil, or military-related production. Coded as 1 if yes, and 0 if no.
ROA	Calculated as net profit divided by total assets. This ratio measures a firm's ability to generate profit from its assets.
Owner age	A continuous variable representing the age of family owners, measured in years.

Owner gender	A binary variable indicating the family owner's gender, coded as 1 if female and 0 otherwise.
Owner codirector firm	The number of other firms in which the family owner serves as a board director.
Owner shareholding	The percentage of total shares held by family owners, indicating their ownership stake and level of control within the firm.
MBR	Market-to-Book Ratio. Calculated as the current closing price divided by the ratio of total equity at period-end to paid-in capital at period-end. This ratio reflects the market's valuation of a firm's equity relative to its book value.
Profit growth (%)	Calculated as (operating profit for the current year − operating profit for the previous year) / operating profit for the previous year. This measures the percentage change in operating profit over a year.
Gross profit margin	Calculated as gross profit divided by operating revenue. It measures a firm's ability to generate profit from sales after accounting for production costs.
Tax contribution	Income tax expense divided by operating revenue. Indicates the proportion of firm revenue contributed to government tax payments, reflecting real profitability.
Employment by private enterprise ratio	The proportion of total provincial employment accounted for by private enterprises. Calculated as the number of employees in private enterprises divided by total provincial employment.
Employment growth rate	The annual percentage change in the number of full-time employees compared to the previous year. Captures workforce expansion or downsizing.
HR slack	Human resources (HR) slack. The number of full-time equivalent employees scaled by total sales, adjusted by subtracting the industry average employee-to-sales ratio. Higher values indicate that a firm employs more personnel relative to sales than its industry peers, reflecting greater human resource slack.
Operating expenses (per employee)	Total sales and administrative expenses divided by the number of employees. Reflects average operating cost per worker and investment in human resources.
Employee productivity	Operating revenue divided by the number of employees. Measures the efficiency of labor in generating sales.
Investment efficiency	A measure of a firm's investment level relative to its growth opportunity, estimated by the deviation from optimal investment levels based on factors such as growth opportunities, leverage, cash flow, and firm characteristics.
ROIC	Return on Invested Capital. Calculated as net operating profit after taxes (NOPAT) divided by total invested capital. It measures how efficiently a firm generates returns from its investments, reflecting its ability to create value.
TFP (fixed effects)	Firm-level total factor productivity estimated as the residual from a fixed-effects production function of output on labor and capital inputs within industry-year panels, capturing overall efficiency in transforming inputs into output (details see Mundlak, 1961).
TFP (value added)	Total factor productivity based on a value-added specification, where firm output is measured as value added (operating revenue minus operating costs), reflecting efficiency in generating value from labor and capital after accounting for intermediate inputs (details see Olley & Pakes, 1992).
Dual CEO	A binary variable equal to 1 if the CEO also serves as the chairperson of the board, and 0 otherwise.

Number of shareholding board members	The total number of board directors who hold shares in the firm.
Board shareholding ratio	The percentage of total shares held by all board directors.
Institutional shareholding ratio	The percentage of total shares owned by institutional investors.
Board independence	The proportion of independent directors on the board relative to total board size. Indicates the level of external oversight in governance.
Shareholder meeting frequency	The number of shareholder meetings held in a fiscal year. Reflects the frequency of owner engagement and corporate accountability practices.
TMT overseas	A binary variable indicating whether any current top management team (TMT) members have an overseas background (education or work experience abroad). Coded as 0 if no, and 1 if yes.

Table 3 Descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
Tobin's Q	18533	1.874	1.434	.844	10.32
Private family	18533	.11	.312	0	1
Firm size	18533	21.933	1.583	18.817	26.748
Leverage	18533	.519	.216	.071	1.175
Firm age	18533	15.538	8.308	0	56
Strategic industry	18533	.259	.438	0	1
ROA	18417	.022	.077	-.389	.196
MBR	18231	4.097	5.193	.541	38.916
Profit growth (%)	15555	-.386	4.254	-27.076	14.111
Political connect	1191	.353	.478	0	1
Owner age	1191	51.617	8.075	26	76
Owner gender	1191	.077	.267	0	1
Owner codirector firm	1124	2.534	4.003	0	54
Owner shareholding	657	66.31	25.846	1	100

EMPIRICAL ANALYSES

Main Results

Table 4 presents the findings of our primary analysis. In Model 1, we explore the impact of transitioning to family controlling ownership on firm stock market performance, measured by *Tobin's Q*. After accounting for firm-specific characteristics and incorporating both firm and year fixed effects, the results indicate that SOEs transitioning to family controlling ownership achieve significantly higher stock market performance

compared to those transitioning to legal-person controlling ownership (*$\beta = 0.303$, $p < 0.01$*). Model 2 analyzes the role of political connections among family owners in influencing firm performance. Utilizing a sample exclusively comprising privatized family firms, where owner characteristics are available, our findings align with the predictions in H2. Specifically, we observe that political connections among family owners are positively associated with post-transition firm performance (*$\beta = 1.122$, $p < 0.05$*). Collectively, these results provide empirical support for our hypotheses.

Table 4 Main results

VARIABLES	(1) Tobin's Q (H1)	(2) Tobin's Q (H2)
Sample	Full sample	Only privatized family
Privatized family	0.303***	
	(0.0919)	
Political connect		1.122**
		(0.506)
Firm size	-0.837***	-0.773***
	(0.0492)	(0.193)
Leverage	0.642***	0.213
	(0.164)	(0.694)
Firm age	0.117***	0.153***
	(0.0113)	(0.0427)
Strategic industry	0.0356	-0.450*
	(0.0913)	(0.268)
ROA	1.690***	0.759
	(0.262)	(1.480)
Owner age		-0.00785
		(0.0159)
Owner gender		-0.566
		(0.477)
Owner codirector		0.0321
		(0.0272)
Owner shareholding		0.00628
		(0.00966)
Constant	17.40***	14.70***
	(0.971)	(4.403)
Year FE	yes	yes
Firm FE	yes	yes
Observations	18,417	636
Number of firms	792	80

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Robustness Checks

To ensure the robustness of our findings, we conducted a series of additional analyses using alternative indicators of firm performance and value creation, including market-based, accounting-based measures (detailed definitions in Table 2). The results consistently reinforce our main conclusions. First, the market-to-book ratio (MBR), a proxy for firm market valuation, is significantly higher for SOEs transitioning to family-controlled ownership (Table 5, Model 1: $\beta = 0.666, p < 0.05$), suggesting stronger investor confidence in these firms.

Table 5 Robustness checks

VARIABLES	(1) MBR	(2) Total profit growth	(3) Gross profit margin	(4) Tax contribution
Privatized family	0.666**	0.452**	0.0507***	0.0158***
	(0.309)	(0.196)	(0.0131)	(0.00435)
Firm size	-3.101***	0.0802	-0.000734	0.00181
	(0.181)	(0.0569)	(0.00342)	(0.00158)
Leverage	12.05***	1.279***	-0.0710***	-0.0167**
	(0.735)	(0.336)	(0.0171)	(0.00783)
Firm age	-0.0872	0.0225	0.000762	-0.00150***
	(0.292)	(0.0177)	(0.00169)	(0.000274)
Strategic industry	0.307	-0.0603	0.0284**	0.00960
	(0.319)	(0.173)	(0.0140)	(0.00724)
ROA	3.965***	47.50***	0.551***	0.116***
	(1.105)	(1.346)	(0.0316)	(0.0145)
Constant	70.73***	-4.664***	0.241***	0.0364
	(8.804)	(1.208)	(0.0817)	(0.0358)
Year FE	yes	yes	yes	yes
Firm FE	yes	yes	yes	yes
Observations	18,115	15,522	18,002	17,498
Number of firms	792	792	776	778

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Similarly, privatized family firms outperform their legal-person counterparts across several accounting-based performance indicators. Total profit growth, capturing firm-level expansion in profitability, is greater among family firms compared with those under legal-person control (Table 5, Model 2: $\beta = 0.452, p < 0.05$). Privatized family firms also exhibit

higher gross profit margins (Table 5, Model 3: $\beta = 0.0507, p < 0.01$), reflecting superior cost management and pricing capabilities, and contribute more income tax relative to operating revenue (Table 5, Model 4: $\beta = 0.0158, p < 0.01$), indicating that profitability gains translate into tangible fiscal contributions. These findings complement the main Tobin's Q results, confirming that capital markets reward family firms because they generate authentic and sustainable performance improvements.

Endogeneity

Two potential endogeneity concerns in our analysis are omitted variables and selection bias. Specifically, unobserved factors may influence the government's decision to sell SOEs to private owners. Government may preferentially sell well-performing SOEs to private family owners, potentially biasing our sample towards firms with prior strong performance (Wei et al., 2005). To address these concerns, we employ a two-stage least square (2SLS) approach, utilizing the *Employment by private enterprise ratio* as an instrumental variable. This ratio, defined as the proportion of total provincial employment accounted for by private enterprises, captures the degree of regional privatization intensity and marketization, which influences the likelihood of SOEs being sold to private or family owners but is unlikely to directly affect firm-level performance once ownership is determined, satisfying both the relevance and exclusion restrictions. As shown in Table 6, Model 1, the 2SLS results support our main findings: SOEs transferred to family controlling ownership demonstrate significantly higher stock market performance (Tobin's Q: $\beta = 4.206, p < 0.01$) compared to those transferred to legal-person ownership.

Following Huang et al. (2024)'s approach , we further address potential selection bias using a Heckman two-step model. In the first stage, a Probit model predicts the

likelihood of privatization to family ownership, controlling firm size, leverage, firm age, strategic industry, and ROA. The resulting Inverse Mills Ratio is included in the second-stage regression to account for potential sample selection bias. The results, presented in Table 6, Model 2, indicate that the coefficient of the Inverse Mills Ratio is significant, confirming the presence of self-selection bias. Importantly, the coefficient for *Privatized Family* remains consistent with our main findings in Table 4, showing a positive and significant relationship with firm performance (Tobin's Q: $\beta = 0.256, p < 0.01$).

Table 6 2SLS and Heckman two-step regression results

VARIABLES	(1) Tobin's Q	(2) Tobin's Q
Models	2SLS	Heckman two-step
Privatized family	4.206***	0.256***
	(1.525)	(0.0361)
Firm size	-0.825***	-0.816***
	(0.0273)	(0.0106)
Leverage	0.583***	0.611***
	(0.0929)	(0.0509)
Firm age	0.0923***	0.111***
	(0.0174)	(0.0144)
Strategic industry	0.0547	0.0336
	(0.0708)	(0.0355)
ROA	0.933***	1.677***
	(0.270)	(0.112)
Inverse Mills ratio		9.067***
		(0.691)
Constant	17.71***	17.05***
	(0.540)	(0.453)
Year FE	yes	yes
Firm FE	yes	yes
Observations	11,880	18,417
Number of firms	770	792
Cragg-Donald Wald F statistic	15.495	

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

These endogeneity checks further validate our conclusion that SOEs transferred to family controlling ownership outperform those under legal-person ownership, reinforcing the strength of our theoretical arguments.

MECHANISM EXPLORATION

Our theorizing posits that family firms outperform legal-person firms due to superior ownership competence—manifested through more efficient resource allocation and distinctive governance practices. To examine these mechanisms, we conduct post hoc analyses focusing on resource allocation efficiency and governance outcomes (see Table 1 for detailed definitions of the measures).

Resource Allocation Efficiency

Consistent with the ownership competence argument, we expect privatized family firms exhibit greater resource allocation efficiency. We first use human resource as an example because overstaffing has historically plagued SOEs, where employment often serves political rather than efficiency goals (Shleifer & Vishny, 1994). Compared with legal-person-owned firms, family firms show higher employee growth rates (Table 7, Model 1: $\beta = 0.08, p < 0.01$) but lower human resource slack (Table 7, Model 2: $\beta = -0.206, p < 0.05$), suggesting faster expansion accompanied by greater labor efficiency. Family firms also exhibit higher operating expenses per employee (Table 7, Model 3: $\beta = 65{,}207, p < 0.01$) and greater employee productivity (Table 7, Model 6: $\beta = 947{,}839, p < 0.05$), indicating strategic investment in higher-quality, better-compensated workers who generate more output per capita.

Then we also explore the efficiency of capital investments. Investment efficiency, defined as the degree of alignment between investment spending and growth opportunities (Richardson, 2006; Wu et al., 2022), is significantly higher in family-controlled firms (Table 7, Model 5: $\beta = 0.0084, p < 0.01$), suggesting more disciplined and

strategic investment behavior. Likewise, Return on Invested Capital (ROIC), which captures how effectively firms generate economic value from their capital base, is greater for family-controlled firms (Table 7, Model 6: $\beta = 0.0077, p < 0.1$), confirming superior capital utilization.

Table 7 Mechanism exploration: Resource allocation efficiency (human resource and capital)

VARIABLES	(1) Employment growth rate	(2) HR slack	(3) Operating expenses (per employee)	(4) Employee productivity	(5) Investment efficiency	(6) ROIC
Privatized family	0.0800***	-0.205**	65,207***	947,839**	0.0084***	0.0077*
	(0.0242)	(0.101)	(21,110)	(372,917)	(0.00275)	(0.00411)
Firm size	0.0715***	-0.235***	5,279	471,167***	0.00819***	0.0108***
	(0.00780)	(0.0377)	(7,969)	(140,533)	(0.000866)	(0.00104)
Leverage	0.00697	0.0271	30,123	570,916	0.0113***	-0.0126**
	(0.0326)	(0.147)	(31,204)	(421,754)	(0.00429)	(0.00633)
Firm age	-0.00872***	0.0237***	5,683***	41,605***	-0.000700***	-0.0013***
	(0.00153)	(0.00466)	(946.6)	(14,002)	(0.000174)	(0.000158)
Strategic industry	0.0277	0.0380	-39,995	-294,424	-0.00423	-0.0076***
	(0.0261)	(0.112)	(33,673)	(458,337)	(0.00309)	(0.00284)
ROA	0.693***	-1.641***	-262,925***	2.971e+06***	0.0225**	1.363***
	(0.0683)	(0.196)	(93,033)	(653,953)	(0.00900)	(0.0146)
Constant	-1.408***	4.651***	-71,763	-9.727e+06***	-0.175***	-0.196***
	(0.158)	(0.777)	(158,591)	(2.849e+06)	(0.0174)	(0.0191)
Year FE	yes	yes	yes	yes	yes	yes
Firm FE	yes	yes	yes	yes	yes	yes
Observations	15,304	15,513	15,801	16,118	15,073	13,903
Number of firms	792	777	787	777	774	790

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Beyond labor and capital allocation separately, we examine how effectively firms transform all productive input into output. Following Aguilera et al. (2024), we compare the overall productivity level between privatized family firms and privatized legal-person firms by total factor productivity (TFP). We argue that family owners possess superior competence in allocating both human and capital resources, leading to higher overall productivity in our context. Consistent with this expectation, privatized family firms exhibit

significantly higher TFP (Table 8, Model 1, TFP (fixed effects): *β = 0.205 p < 0.01*; Model 2, TFP (value added): *β = 0.354, p < 0.01*) [1].

Table 8 Mechanism exploration: Resource allocation efficiency (total factor productivity)

VARIABLES	(1) TFP (fixed effects)	(2) TFP (value added)
Privatized family	0.205***	0.354***
	(0.0714)	(0.0762)
Firm size	0.174***	0.232***
	(0.0285)	(0.0244)
Leverage	-0.124	-0.250**
	(0.0951)	(0.103)
Strategic industry	-0.311***	-0.211**
	(0.0852)	(0.0834)
ROA	2.409***	5.062***
	(0.168)	(0.264)
Constant	-3.853***	-5.271***
	(0.629)	(0.530)
Industry*year FE	yes	yes
Firm FE	yes	yes
Observations	16,112	15,647
Number of firms	775	775
R-squared	0.656	0.684

Notes: 1. Robust standard errors in parentheses.*** p<0.01, ** p<0.05, * p<0.1.
2. Firm age omitted due to collinearity with time and fixed effects.

In summary, these results underscore that family firms enhance the efficiency of both human and capital resources, reflecting the resource allocation dimension of ownership competence that underpins their superior and more sustainable performance after privatization.

Governance Practices

We further explore several indicators of governance practices in our context. SOE management is often selected based on political rather than business expertise (Guo et

[1] Due to the lack of industry-level deflators when computing TFP, we include industry × year and firm fixed effects in the regression models to account for unobserved price variations and time-invariant firm characteristics.

al., 2017), restricting managerial autonomy and effectiveness (Lioukas et al., 1993). Family owners, by contrast, prioritize market-driven goals, improving governance by strengthening top management expertise and transparency. As shown in Table 9, overall privatized family firms also display a distinctive governance configuration that blends concentrated control with formal governance mechanisms. Specifically, they show higher CEO duality (Table 9, Model 1: *β =0.00662, p < 0.05*) and greater board shareholding (Table 9, Models 2 and 3: number of shareholding borad members: *β =0,418, p < 0.05;* board shareholding ratio: *β =0.015, p < 0.01*), emphasizing centralized decision-making and stronger alignment between owners and managers.

Table 9 Mechanism exploration: Governance practices

VARIABLES	(1) Dual CEO	(2) Num. shareholding board members	(3) Board shareholding ratio	(4) Board independence	(5) Shareholder meeting frequency	(6) TMT overseas
Privatized family	0.0662** (0.0292)	0.418** (0.165)	0.0150*** (0.00496)	0.00946** (0.00418)	0.346*** (0.0864)	0.127*** (0.0298)
Firm size	-0.00484 (0.00800)	0.332*** (0.0475)	0.00342*** (0.00104)	-0.000211 (0.00131)	0.247*** (0.0313)	0.0450*** (0.00984)
Leverage	0.0443 (0.0340)	-0.842*** (0.189)	-0.0164*** (0.00393)	0.00742 (0.00588)	0.920*** (0.117)	-0.00478 (0.0389)
Firm age	0.000782 (0.00125)	-0.176*** (0.00826)	-0.000267** (0.000107)	0.0152*** (0.000182)	0.0317*** (0.00430)	0.0132*** (0.00128)
Strategic industry	-0.00410 (0.0228)	-0.0762 (0.142)	0.00395 (0.00296)	-0.0105** (0.00436)	-0.174* (0.0980)	-0.0207 (0.0319)
ROA	0.0148 (0.0523)	-0.468* (0.255)	-0.00557 (0.00630)	0.0263*** (0.00985)	1.031*** (0.191)	-0.0521 (0.0579)
Constant	0.216 (0.162)	-1.065 (0.948)	-0.0604*** (0.0214)	-0.0522** (0.0265)	-3.687*** (0.647)	-0.984*** (0.200)
Year FE	yes	yes	yes	yes	yes	yes
Firm FE	yes	yes	yes	yes	yes	yes
Observations	15,757	16,957	16,040	16,957	15,900	16,462
Number of firms	792	792	791	792	792	792

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Interestingly, privatized family firms also exhibit a higher independent director ratio (Table 9, Model 4: *β =0.00946, p < 0.05*) and more frequent shareholder meetings (Table

9, Model 5: $\beta = 0.346, p < 0.01$) than legal-person-owned firms. They are also more likely to appoint TMT members with overseas experience (Table 9, Model 6: $\beta = 0.127, p < 0.01$), a factor positively associated with governance quality (Zheng et al., 2023).

This pattern suggests that family owners consolidate control internally while preserving formal governance elements that signal accountability and legitimacy to external stakeholders. Such governance practice supports effective decision-making while maintaining investor confidence, embodying the dual logic of control and credibility that underpins ownership competence in emerging markets.

Taken together, the post hoc analyses strengthen our core argument that family owners possess greater ownership competence than legal-person owners. Through superior resource allocation, and hybrid and accountable governance, family owners transform privatized firms into more efficient, credible, and value-generating entities. These capabilities enable family firms to outperform legal-person-owned counterparts not only in market valuation but also in operational and fiscal outcomes, providing comprehensive evidence of ownership competence in action.

DISCUSSION AND CONCLUSION

This study provides compelling evidence that the owner's identity significantly influences firm performance, by emphasizing the pivotal role of family owner's unique ownership competence. Using the privatization of Chinese SOEs, we show that privatized family firms outperform those under legal-person controlling ownership. Our findings reveal that family owners bring superior ownership competence, leveraging enhanced resource allocation efficiency and governance practices to create greater value. These insights

contribute to the broader understanding of how different identities and capabilities of owners drive firm outcomes, offering both theoretical and practical implications.

First, this study contributes to ownership-performance literature by adopting a capabilities-based perspective grounded in the ownership competence framework (Foss et al., 2021). Whereas traditional research has focused primarily on ownership concentration and incentive alignment, our results emphasize that *who* the owner is, and the competencies they exercise, matters critically for firm performance. By demonstrating that family owners leverage governance practices, resource allocation, and political embeddedness to enhance post-privatization outcomes, we extend the literature beyond structural mechanisms to the behavioral dimensions of ownership.

Second, our research addresses a critical limitation in the privatization literature, where studies have traditionally compared outcomes solely before and after privatization, largely ignoring the heterogeneous nature of new controlling owners (La Porta & López-de-Silanes, 1999; Megginson et al., 1994). Our evidence reveals that the identity and competence of the acquirer—not privatization per se—drive firm value creation. This finding helps reconcile mixed results in prior work (Bachiller, 2017; Radić et al., 2021), and underscores the strategic importance of differentiating owner types when evaluating privatization outcomes.

Third, this research extends family business scholarship by identifying privatized family firms as a distinct yet underexplored organizational form. Most prior work has concentrated on entrepreneurial family firms founded by families (Hoy & Verser, 1994; Lopez-fernandez et al., 2016). Our findings suggest that family firms emerging through

privatization exhibit comparable, and in some cases superior, performance advantages due to their ability to blend entrepreneurial orientation with institutional knowledge. Contrary to arguments that political ties may hinder family firms liabilities (Huang et al., 2024; Jin & Hu, 2024), we find that political connections among family owners in privatized firms enhance performance, functioning as context-specific competencies that facilitate navigation of politically embedded environments like China.

We also highlight the contextual nature of ownership competence (Foss et al., 2021). Our finding that privatized family firms exhibit higher total factor productivity contrasts with much of the Western evidence showing lower productivity in family-controlled firms (e.g., Aguilera et al., 2024). Ownership competence—defined as the owner's ability to deploy, govern, and reconfigure firm resources effectively—is not a fixed attribute but one that depends on institutional, historical, and organizational conditions (Foss et al., 2023). In advanced economies, family firms' strong preferences for control preservation and risk aversion often translate into conservative capital investment and overreliance on labor, leading to lower measured productivity (Aguilera et al., 2024). In contrast, China's privatization context presents a different set of challenges and opportunities. Family owners in this setting inherited underperforming state assets, operated in rapidly evolving markets, and had to actively mobilize and reallocate resources to survive and grow. Their close involvement, long-term commitment, and local knowledge thus constitute a form of ownership competence uniquely suited to transforming inefficient SOEs into productive private firms. This context-specific manifestation of ownership competence underscores that the performance implications

of family ownership cannot be generalized across institutional environments but depend critically on the resource constraints and governance demands owners face.

Another potential concern of the advantages of family ownership is that concentrated family ownership might harm minority shareholders' interests (Madison et al., 2016). Family firms may face principal-principal conflicts due to family altruism and entrenchment (Schulze et al., 2003; Schulze et al., 2001). Our findings suggest the opposite dynamic in weakly institutionalized settings. In emerging economies such as China, concentrated family ownership can substitute for underdeveloped governance systems (Dharwadkar et al., 2000). Families' strong incentives to monitor management and safeguard long-term value align with minority shareholders' interests, mitigating potential principal–principal conflicts (Dharwadkar et al., 2000; La Porta et al., 1999).

Our study is not without limitations. First, while the Chinese privatization context provides a powerful setting to test ownership competence, generalizability to other institutional environments remains to be verified. Comparative studies across countries or sectors would help validate these insights. Second, although our quantitative evidence illuminates the mechanisms linking ownership competence to performance, qualitative approaches could offer richer process-level understanding. Third, future work might explore broader outcome dimensions, such as innovation, sustainability, or stakeholder relations, to assess whether family owners' competences extend beyond financial performance.

Overall, this study advances the literature on ownership and governance by demonstrating that ownership competence, anchored in family owners' unique

governance practices, resource allocation, and political embeddedness, constitutes a central driver of value creation in privatized firms.

CHAPTER 2: TRANSGENERATIONAL INTENTIONS AND THE EMERGENCE OF FAMILY FIRMS: EVIDENCE FROM CHINA'S ONE-CHILD POLICY REFORM

ABSTRACT

When do entrepreneurial ventures become family firms, and what behavioral consequences follow? We argue that this transformation occurs as transgenerational intentions (TGIs), founders' intentions to pass the business to future generations, emerge and strengthen. TGIs cultivate an incremental mindset that prioritizes long-term investment. Using China's One-Child Policy reform as an exogenous shock to succession feasibility, our difference-in-differences analysis of 2,838 listed firms shows that compared to nonfamily firms, family firms increased more R&D intensity post-reform, especially those led by lone founders. We thus conceptualize TGIs as a cognitive mechanism transforming entrepreneurial ventures into family-oriented firms.

***Keywords**: behavioral definition of family firms, incremental mindset, one-child policy reform, strategic behavior, transgenerational intentions*

INTRODUCTION

Are family firms born or made? More than two decades after Chua et al. (1999)'s behavioral definition, scholars still debate the conditions under which entrepreneurial ventures adopt the behavioral characteristics of family firms. Much of the existing literature classifies family firms dichotomously, relying primarily on the presence of family ownership, active family involvement, or explicit succession plans (e.g., Chrisman et al., 2003; Daspit et al., 2021; Dawson & Mussolino, 2014). This binary approach may only capture the extreme ends of a broader continuum but obscure the nuanced ways in which firms develop and express family-oriented behaviors over time (Chua et al., 2004). Indeed, some entrepreneurial ventures, even without family members actively involved in the business, may also exhibit behaviors typically associated with family firms, such as long-term orientation (Wang & Bansal, 2012), commitment to sustainable development (Hall et al., 2010), and reputational sensitivity (Shane & Cable, 2002; Taeuscher, 2019). These observations question the sufficiency of traditional classifications based on structural attributes and underscore the importance of examining how entrepreneurial ventures progressively adopt strategic behavioral characteristics of family businesses (Chua et al., 1999).

Building on Chua et al. (1999)'s behavioral definition, we argue that the essence of a family firm lies not merely in its ownership structure or formal succession plans, but in the owner's *intentions*, specifically, the aspiration to maintain family influence and control across generations. These intentions, conceptualized as transgenerational intentions (TGIs), reflect the owner's desire to transfer ownership and control to future generations of the family (Zellweger et al., 2012). Importantly, TGIs may not be present

at a firm's inception, but can later emerge or intensify as the firm evolves (Chua et al., 2004). Thus, the critical question shifts from "*who qualifies* as a family firm?" to "*when* do owners develop a family business mindset, and *what* are the behavioral consequences?"

We argue that TGIs are not only structural correlates of familiness; they are cognitive drivers that can emerge or intensify over a firm's life and reorder the firm's goal hierarchy toward long-horizon value creation. Grounded in implicit theory (Dweck, 2006; Dweck et al., 1995a), we propose the cognitive mechanism as an *incremental mindset*, a belief that external attributes are malleable and improvable across time (Mathur et al., 2013). When TGIs rise, this mindset reduces temporal discounting and redirects managerial attention toward options with delayed payoffs, predicting greater future-oriented investments such as R&D (Chrisman & Patel, 2012).

To empirically examine this mechanism, we leverage China's one-child policy (OCP) reform as a natural experiment. The OCP, introduced in 1979 and gradually relaxed from 2010 onward, significantly constrained family size and succession prospects for business owners (Cao et al., 2015). Its reform marked an exogenous shift in the perceived feasibility of intergenerational succession (Huang et al., 2020). We argue that by increasing the possibility of multiple heirs, the reform raised TGIs among family owners, thereby strengthening their *incremental mindset* and increasing R&D investment.

Our design reflects the Chinese institutional landscape, where most "family firms" are founder-led firms, whereas most "nonfamily firms" are state-owned enterprises (SOEs) (Bennedsen et al., 2015). We adopt a broad definition of family firms that includes lone-founder firms and compare them to nonfamily firms, which are not affected by

succession-related TGIs (J. P. H. Fan et al., 2007). We then further differentiate within family firms, positing that the effect is strongest for lone-founder firms, first-generation businesses led by a sole family principal (Miller et al., 2007), for whom the reform sharpens the salience of succession feasibility precisely where it had been most uncertain.

Using a difference-in-differences design on 2,838 Chinese listed firms (2007–2015), we find that family firms exhibit a larger increase in R&D intensity than nonfamily firms after the OCP reform. Within family firms, the pattern is strongest for lone-founder firms, aligning with our mechanism that TGIs emerge and shift attention toward long-term horizon. Our post hoc analyses further confirm that family firms affected by the reform also experience greater leadership stability, commit fewer regulatory violations, and improve governance quality, underscoring the broad behavioral impacts of TGIs beyond R&D intensity.

This study makes several contributions. First, we advance the behavioral definition of family firms (Chua et al., 2004) by identifying the emergence of TGIs as a pivotal turning point, even in the absence of family involvement or formal succession planning. By emphasizing cognitive orientations rather than traditional structural indicators, we provide a more nuanced understanding of when entrepreneurial ventures become family-oriented. Second, we bridge implicit theory with entrepreneurship and family business research (Gómez-Mejía et al., 2025). While implicit theory has traditionally been applied to individuals' beliefs about personal traits or abilities (e.g., intelligence, leadership) (Blackwell et al., 2007; Dragoni et al., 2011; Engle & Lord, 1997), we propose family owners' mindset as cognitive mechanisms that reorder goals and redirect attention toward

long-term exploration, thereby linking TGIs to observable investments such as R&D. Finally, using the unique OCP reform context, we also demonstrate an identification strategy that leverages reform signals to isolate the cognitive channel from ownership structure, offering a template for studying how macro shocks influence firm behaviors via founder cognition.

EMPIRICAL CONTEXT

One-Child Policy, Its Reform, and Their Consequences for Chinese Family Firms

China's one-child policy (OCP), introduced nationwide in 1979, sought to slow population growth and ease pressure on resources (Banister & Harbaugh, 1994). Although exceptions existed for some ethnic minorities and rural households, most families were restricted to one child. Enforcement relied on financial "social maintenance" penalties, often equivalent to several years of household income, as well as strong social pressure to comply (Ebenstein, 2011; Liu, 2014; Zhang, 2017).

By the late 2000s, growing demographic and economic concerns prompted debate about relaxing the policy. Reform signals began in 2010, when national discussions and provincial proposals suggested the policy would soon be eased (Cao et al., 2015). In 2011, Guangdong province piloted a reform allowing a second child if one parent was an only child, and in 2015 the Central Committee officially adopted a universal two-child policy, effective January 2016 (Huang et al., 2020). The reform led to a short-lived rise in births (about 7.9% in 2016) confirming its behavioral impact (Tatum, 2021).

For Chinese business owners, the OCP had long limited succession possibilities by constraining family size and the pool of potential heirs (Huang et al., 2020). The

relaxation thus represented an exogenous institutional shift that made intergenerational succession more feasible and reignited family owners' TGIs. Although wealthy families could sometimes bypass the restrictions, the reform still prompted many family owners to reassess legacy and continuity goals (Cumming et al., 2024; Huang et al., 2020). Given that most Chinese family firms remain founder-led and lack established multigenerational traditions (Bennedsen et al., 2015), this context provides a natural setting to observe how changes in succession feasibility influence founders' cognitive orientations and strategic behaviors. The OCP reform therefore offers an ideal quasi-experimental backdrop to examine how TGIs emerge and translate into family firm strategic decisions.

THEORETICAL FRAMEWORK

The Behavioral Perspective of Family Firms and TGIs

The behavioral definition of family firms, initially articulated by Chua et al. (1999), emphasizes the *intentions* of owners that guide firm behaviors. Rather than relying solely on structural markers such as family ownership or involvement, this perspective emphasizes a firm's commitment to advancing a family-based vision that is sustainable across generations (Chua et al., 2004). Central to this definition is the concept of TGIs, which reflect the desire of family owners to pass control of the business to future generations (Zellweger et al., 2012).

However, much of the family business literature still relies on structural definitions based on family ownership or involvement (Daspit et al., 2021; Dawson & Mussolino, 2014). Such definitions, however, fall short of explaining why some founder-led firms exhibit family-like behaviors in the absence of active family involvement (LeCounte,

2022). For instance, founders' socioemotional attachments can drive family-like strategic behaviors such as tax avoidance, even without formal family governance (Brune et al., 2019). Similarly, founder-led firms often exhibit strategic persistence motivated by the founder's desire to align firm governance with long-term, family-centered priorities (Fang et al., 2021). As Chua et al. (2004) suggest, these structural definitions are sufficient but not necessary to define family firms, and family firms should be understood as existing on a behavioral continuum rather than defined by a fixed structure. These behavioral patterns are more closely tied to cognitive and emotional investments than to formal governance arrangements (Kelly et al., 2000).

TGIs thus provide a valuable conceptual lens through which we can better understand *when* and *how* founder-led firms begin to exhibit family-specific behaviors (Dorsch et al., 2023). Recent research suggests that TGIs are linked to distinct strategic orientations, including long-term investment horizons, identity preservation, and risk-taking (Bammens et al., 2022; Bornhausen & Wulf, 2024; Dorsch et al., 2023). Zellweger et al. (2013) further suggest that TGIs are associated with stakeholder-centric strategies and nonfinancial goal prioritization. TGIs also reinforce the socioemotional wealth (SEW) perspective, especially its continuity dimension, which stresses preserving the family legacy through future generations (Berrone et al., 2012). Importantly, TGIs are developmental rather than fixed. They evolve in response to succession planning (Wiklund et al., 2013), life-cycle events such as aging, marriage or parenthood (Belenzon et al., 2016; De Massis et al., 2008; Marshall et al., 2006), and shifts in institutional environments (Heino et al., 2024). Yet empirical studies often treat TGIs as static (e.g., Bammens et al., 2022; Zellweger et al., 2012), reflecting contexts in established Western

economies where family firms are already multigenerational and display stable family logics. Nonetheless, not all family firms are *"born"* with TGIs (Chua et al., 2004). This leaves insufficient theorization of how TGIs dynamically emerge, especially in founder-led firms facing succession for the first time.

We therefore conceptualize TGIs as a cognitive-behavioral mechanism that initiates the transition from entrepreneurial to family firm behavior. This perspective allows us to ask how TGIs form and how they reshape strategic decision-making even in firms that do not yet meet traditional structural definitions of family firms.

Implicit Theory and Firm Behaviors

To explain the cognitive mechanisms through which TGIs shape firm behavior, we draw on implicit theory (Dweck, 2006; Dweck et al., 1995a, 1995b). Implicit theories refer to individuals' underlying beliefs about the malleability of external attributes, such as people's abilities, events, systems, or the world more broadly (Dweck et al., 1995a). These core beliefs shape how people interpret situations, pursue goals, and respond to feedback (Dweck & Leggett, 1988). Two orientations are central: *entity theories* and *incremental theories*. Individuals who hold an *entity theory* perceive traits and characteristics as fixed and unchangeable (Mathur et al., 2013). As a result, they are more likely to adopt *judgment goals*, focusing on evaluating and predicting the behavior or performance of others (Chiu et al., 1997). Entity theorists also tend to interpret the world in more static terms, showing greater sensitivity to stability and permanence. In contrast, *incremental theorists* believe that traits and systems are malleable and can be developed over time (Burnette et al., 2013; Mathur et al., 2013). These individuals are

more likely to adopt *development goals*, engaging in behaviors that promote growth, learning, and improvement. Their worldview is more dynamic and flexible, and they are more attuned to change and progress (Dweck & Leggett, 1988). Importantly, Dweck et al. (1995b) note that these two orientations are not mutually exclusive. Individuals can hold both to varying degrees across different domains and can shift between them as contexts and experiences change (Murphy & Reeves, 2019). Implicit theories are not fixed traits but can evolve through social cues, feedback, or interventions (Leith et al., 2014).

In organizational settings, implicit theories have been linked to leader-member relationship (Braun et al., 2017; Engle & Lord, 1997), board's role and function (Boivie et al., 2021), network (Kuwabara et al., 2016), and brand management (Park & John, 2014). These studies reveal two main pathways through which implicit theories influence strategic behavior. First, through goal orientation: incremental beliefs foster learning goals that encourage experimentation, information search, and recovery after failure, whereas entity beliefs foster performance goals that emphasize proving competence (Burnette et al., 2013; Payne et al., 2007). Second, through temporal orientation: incremental theorists hold longer time horizons and sustain effort even when payoffs are delayed (Laverty, 1996). Recent research has begun extending implicit theory to the family business domain. Specifically, Gómez-Mejía et al. (2025) propose that the SEW embedded in family firms shapes owners' implicit beliefs, influencing how they interpret risks and pursue goals. Extending this framework, we further posit that TGIs uniquely shape family owners' implicit theories, shifting their core beliefs about whether their firms are developmental in the future.

HYPOTHESES DEVELOPMENT

We argue that the development of TGIs fosters an *incremental mindset*, a belief that the firm is adaptable and capable of continual improvement and long-term growth. As TGIs strengthen, family owners increasingly perceive the firm as an entity that can evolve across generations. This cognitive shift reconfigures both goal orientation and temporal orientation. In terms of goals, an incremental mindset moves family owners toward developmental and learning-oriented goals, emphasizing experimentation, adaptation, and progress (Burnette et al., 2013). In terms of time, an incremental mindset extends the temporal horizon, reducing short-term discounting and making long-delayed payoffs appear more valuable and attainable (Laverty, 1996). R&D serves as a particularly appropriate indicator of this cognitive and strategic shift. It reflects a firm's willingness to allocate resources to uncertain, knowledge-generating activities that offer no immediate payoff but build long-term adaptability (Li et al., 2022; Sinani et al., 2025). Hence, increases in R&D investment capture how the incremental mindset induced by higher TGIs materializes into future-oriented family firm behavior.

China's OCP reform created a natural experiment for this mechanism. The OCP reduced the likelihood that family owners would have capable and willing heirs (Cao et al., 2015). With the policy's relaxation signal beginning in 2010, family owners could once again envision viable succession paths (Cumming et al., 2024), thereby strengthening their TGIs. By reopening the possibility of multiple heirs, the reform increased the feasibility of family succession, making TGIs especially more salient among family owners. This rise in TGIs should activate or intensify incremental mindsets, prompting greater investment in exploration such as R&D. In contrast, nonfamily firms, which are

often state-owned or controlled, follow political or organizational succession processes rather than familial ones (Fan et al., 2007). The OCP reform therefore does not alter their cognitive calculus, leaving the TGI channel muted. Thus, we hypothesize:

> **Hypothesis 1 (H1):** Family firms will experience a larger increase in R&D investments than nonfamily firms after the OCP reform.

The extent to which TGIs promote an incremental mindset may depend on the generational status of the family firm. Early research has frequently categorized lone-founder firms as family businesses, even when family members are neither owners nor managers (Anderson & Reeb, 2003; Barth et al., 2005; Cronqvist & Nilsson, 2003; La Porta et al., 1999). However, lone-founder firms fundamentally differ from “true” family businesses, where multiple family members actively participate in ownership and governance (Miller et al., 2007; Miller et al., 2011). True family businesses already emphasize transgenerational continuity, with TGIs embedded in their identity and governance structures (Hoffmann et al., 2019). In contrast, lone-founder firms, in which ownership and control are concentrated in a founder, tend to focus more on short-term growth and entrepreneurial opportunity than succession (Cannella Jr et al., 2015; Markin et al., 2022).

Within the context of Chinese OCP reform, this distinction becomes especially salient. Before the reform, lone founders faced limited options for within-family succession (Cao et al., 2015). The easing of family size restrictions provided these founders with a newly expanded horizon for succession, prompting a re-orientation toward continuity and legacy. This change likely induced the initiation of TGIs and a sharper shift in implicit

theories from a more static view to an incremental view of the firm as adaptable and worth investing in for future generations. In contrast, in multigenerational family firms the reform marginally updates feasibility but does not transform goals, given that succession intentions were already embedded.

Moreover, the implicit orientations are most salient when control remains concentrated in the hands of the lone founders, as cognitive influence tends to diffuse in multi-generational firms with layered management (Gómez-Mejía et al., 2025). Thus, lone-founder firms are expected to exhibit a more pronounced cognitive shift and consequently a larger increase in strategic R&D investments following the OCP reform. We therefore hypothesize:

Hypothesis 2 (H2): The increase in R&D investments of family firms after the OCP reform will be more pronounced in lone-founder firms.

RESEARCH METHODS

Data and Sample

We collected information from multiple data sources. First, we collected firm-level information such as financial statements and corporate governance from China Stock Market and Accounting Research (CSMAR) database, a widely used database in finance, strategy, and management research (e.g. Banalieva et al., 2015; Krause et al., 2019; Ma & Khanna, 2016). Second, we obtained data on firm-level R&D expenditure from the WIND database. Third, we collected regional economic data from People’s Bank of China and the National Bureau of Statistics of China. After excluding observations with missing data for control variables, our final sample contains 12,496 firm-year observations from

2,838 unique firms between 2007 and 2015. Notably, 1,745 of these firms are family firms. We allowed firms to enter and exit during the sample period to avoid potential survivorship bias.

Measures

Dependent variable. Our main dependent variable is *R&D expenditure*, which is captured by R&D expenses divided by total assets. We interpret R&D investment as a key behavioral indicator of a firm's long-term orientation and innovation commitment—two hallmark characteristics of family firm behavior (Chua et al., 1999; Zellweger et al., 2013). Following previous research (Chi et al., 2020; Deb et al., 2017; Gomez–Mejia et al., 2014; Koh & Reeb, 2015), we replaced missing values in R&D expenditure with 0, but also included a dummy variable "*R&D missing*" to account for any potential impact of missing R&D data[2].

Independent variable. Our main independent variable is *family firm*. Since most of Chinese family firms are predominantly founder-led and we want to capture the transition of founder-led firms, we intentionally follow a relaxed definition of family firms that a firm is a family firm if the ultimate controlling shareholder is an individual or a family (Anderson & Reeb, 2003; Barth et al., 2005; Cronqvist & Nilsson, 2003; La Porta et al., 1999). More specifically, a firm is considered a family firm if the ultimate control of the firm can be traced back to a single natural person or multiple natural persons with family ties.

[2] This treatment is intended to deal with the high portion of missing values in R&D data. It is commonly used in finance and strategy literature (Chi et al., 2020; Deb et al., 2017; Gomez–Mejia et al., 2014; Koh & Reeb, 2015). For a robustness check, we used the R&D data without replacing missing values; the results remain in the same direction. We also used an alternative measure, capitalized R&D costs, which represent R&D investments that are counted as intangible assets in the balance sheet instead of expenses. Notably, this measure has a relatively low level of missing values in our sample.

Exogenous treatment. Since OCP reform has been a gradual process, with several significant events in its evolution, this exogenous shock is not a single point of time or year. Huang et al. (2020) identified the events from 2010 to 2012 as driving the differences between Chinese family firms and nonfamily firms in market reactions and managerial behaviors for the subsequent three years (2013–2015). Using a three-year period (2010–2012) as the exogenous treatment can aggregate the effects of all reform events in this period. We therefore set a variable *post reform* equal to 1 for all observations after 2012 and 0 for all observations before 2010[3].

Moderator. Following previous studies (Cannella Jr et al., 2015; Markin et al., 2022; Miller et al., 2007; Miller et al., 2011), we made further exclusive distinctions between *lone-founder firms* and *true family businesses* within the *family firm* group for H2. *Lone-founder firms* are firms in which no relatives of the founders are involved. *True family businesses* are firms with ultimate controlling shareholders as owners, and at least one of their family members serves as a director, supervisor, or senior manager.

Control variables. Following previous studies on corporate R&D investments (Anderson et al., 2012; Shao et al., 2013), we controlled several measures that account for a firm's financial constraints and growth opportunities. *Firm size* is measured by the natural logarithm to total assets. *Cash flow* is measured by (net income + annual depreciation)/total assets. *Dividend payout ratio* is measured by cash dividends divided by total assets. *Tobin's Q* and *ROA* represent the growth potential of a firm. We also controlled for *firm age* as different lifecycle stages affect a firm's investment decisions.

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[3] In our robustness checks, we also adopt a single year (2014), the year when the reform was implemented across the whole country, as the exogenous shock.

Finally, we included *year* and *industry* dummies to control macro-level variance in different years and industries. To avoid extreme outliers, we also trimmed the data at 1 percent and 99 percent. We display the summary statistics and correlations of all variables in Table 10. Notably, and consistent with previous research (Cao et al., 2015; Huang et al., 2020), the family firm group in our sample is relatively young, with an average firm age of 14.28 years.

Table 10 Descriptive statistics

Panel A: Descriptive statistics of all firms					
Variables	Obs.	Mean	S.D.	Min	Max
R&D expenditure	12829	.012	.018	0	.276
Tobin's Q	12578	2.521	2.354	.105	11.967
Family firm	12831	.495	.5	0	1
Post reform	12831	.621	.485	0	1
Dividend payout ratio	12271	.001	.003	0	.022
Cash flow	12824	.218	.237	-.45	.902
Firm size	12829	21.875	1.414	19.133	26.973
Firm age	12831	14.789	5.221	4	32
ROA	12746	.034	.071	-.401	.212

Panel B: Correlation matrix of all firms									
Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) R&D expenditure	1.000								
(2) Tobin's Q	0.228	1.000							
(3) Family firm	0.236	0.291	1.000						
(4) Post reform	0.319	0.060	0.197	1.000					
(5) Dividend payout ratio	-0.074	0.035	-0.084	-0.106	1.000				
(6) Cash flow	0.179	0.095	0.019	0.039	0.007	1.000			
(7) Firm size	-0.129	-0.505	-0.344	0.176	-0.047	-0.075	1.000		
(8) Firm age	-0.069	-0.034	-0.096	0.368	0.062	-0.057	0.146	1.000	
(9) ROA	0.166	0.164	0.114	0.004	-0.003	0.237	0.034	-0.099	1.000

Panel C: Descriptive statistics of family firm sample					
Variables	Obs.	Mean	S.D.	Min	Max
R&D expenditure	6349	.016	.021	0	.276
Cash flow	6348	.223	.263	-.45	.902
Dividend payout ratio	6132	.001	.003	0	.022
Firm size	6349	21.384	1.083	19.133	26.973
Tobin's Q	6153	3.222	2.622	.105	11.967
Firm age	6349	14.283	5.279	4	32
ROA	6338	.042	.071	-.401	.212
Lone founder	6349	.408	.491	0	1
High demand region	6349	.821	.383	0	1
Owner gender	2822	.965	.183	0	1
Owner age	2822	52.106	7.601	24	76
Fertile (owner age <=60)	2822	.849	.358	0	1
Political connection	2822	.457	.498	0	1

Notes: 1. We only include owner-level control variables (owner gender, owner age, and political connection) in the analyses within family firm group in the Mechanism Exploration section. This is because in main analyses we compare family firms with nonfamily firms, but there are no individuals acting as dominant owners in nonfamily firms. We therefore only include firm-level controls in the main analyses; 2. Definition of *political connection*: dummy variable, equal to 1 if the owner has experience working in the government. Otherwise, 0. Xu et al. (2015) suggest that a founder's political connections significantly increase the likelihood of second-generation involvement in Chinese family firms.

Model

We employed a difference-in-differences (DID) estimation strategy to test our hypotheses. Our main empirical model is:

$$Outcome_{it} = \alpha + \beta_1 FamilyFirm_i + \beta_2 Post_{it} + \beta_3 (FamliyFirm_i * Post_{it}) + X_{it} + \varepsilon_{it}$$

in which $Outcome_{it}$ stands for our dependent variable, and β_3 is our main coefficient of interest, which we expect to be positive and statistically significant. X_{it} is the vector of control variables, whereas ε_{it} is the error term. We clustered robust standard errors at the firm level.

To strengthen causal identification, our main analysis relies on a matched sample of firms that are similar in other observable characteristics except that one group is family firms, and the other is nonfamily firms. We used the propensity-score matching method to create both groups: our treatment group (i.e., family firms) and our control group (i.e., nonfamily firms). We obtained propensity scores using a logit regression that regresses the *family firm* dummy on various firm-level characteristics such as firm size, firm age, cash flow, ROA, dividend payout ratio, and industry dummies. We then paired each treatment firm with the nearest control firm. When comparing summary statistics between the treatment and control groups, the differences between these two groups are

significantly alleviated (as shown in Table 11), which confirms the efficiency of our matching procedure.

Table 11 Balancing table of matching process

Variables	Before matching			After matching		
	Family firms	Nonfamily firms	t-statistics	Family firms	Nonfamily firms	t-statistics
Cash flow	0.2255	0.2124	3.08 (0.002)	0.2255	0.2181	1.68 (0.093)
Dividend payout ratio	0.0007	0.0013	-9.34 (0.000)	0.0007	0.0008	-1.53 (0.125)
Firm size	21.398	22.339	-40.39 (0.000)	21.398	21.375	1.21 (0.228)
Firm age	14.413	15.444	-11.02 (0.000)	14.413	14.325	0.97 (0.333)
ROA	0.0415	0.0257	12.45 (0.000)	0.0416	0.0384	2.47 (0.014)

Notes: Industry dummies are also included in the matching process. *p-values* shown in parentheses.

RESULTS

Main Results

We used OCP reform as a natural experiment to test our hypotheses. We took OCP reform as our treatment. Family firms, whose TGIs were affected by the treatment, represent the treated group. Nonfamily firms, in which within-family succession is not an issue, represent our control group. Table 12 presents descriptive results based on *t-test*s of *R&D expenditure* before and after OCP reform. Column 1 shows that the difference in *R&D expenditure* between family and nonfamily firms after OCP reform is larger than before the reform ($p < 0.01$). The comparison of differences before and after the OCP reform shows statistical significance, which implies that our treatment drives the change in the treated group (i.e., increased R&D in family firms after OCP reform).

Table 12 Difference in differences of R&D expenditure before and after OCP reform

	VARIABLES	(1) R&D expenditure
	Diff-in-diff	0.0045*** (0.000639)
	Observations	12,829
	R-squared	0.137
Before OCP reform	Mean control t(0)	0.0026
	Mean treated t(0)	0.0064
	Diff t(0)	0.0039
After OCP reform	Mean control t(1)	0.0114
	Mean treated t(1)	0.0197
	Diff t(1)	0.0083

Notes: Treated group- family firms. Control group- nonfamily firms. Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Table 13 presents results based on the DID estimation with mixed effects models (Antonakis et al., 2021; Gelman, 2005; Misangyi et al., 2006; Wooldridge, 2010)[4]. Model 1 reports the effect of OCP reform on the R&D gap between family firms and nonfamily firms. After controlling financial constraints, growth opportunities, and fixed effects at year and firm levels, we find that family firms indeed increased their *R&D expenditure* more than nonfamily firms after the OCP reform ($\beta = 0.0018, p < 0.05$). Hence, we find strong support for H1. This finding is also consistent with our argument on increased TGIs as the driving mechanism of future-oriented strategic behavior in family firms.

In H2, we distinguish lone-founder firms within family firms, arguing that the OCP reform induced the initial development of TGIs and a greater increase of R&D investments for lone-founder firms, as the other true family businesses likely had already embedded TGIs. Consequently, we expect the reform's impact on R&D investments to be stronger

[4] By using mixed effects (both fixed and random effects) at the firm level, we are able to capture both time-varying factors (e.g., strategic decisions other than R&D, changes in products, etc.) and time-invariant factors (e.g., corporate culture, owner's characteristics, etc.) that could impact a firm's long-term decisions (Gelman, 2005; Wooldridge, 2010). We also performed a Hausmann test, which suggested that the assumption for random effects is empirically assessed and justified (Antonakis et al., 2021; Misangyi et al., 2006).

for lone-founder firms. Table 13, Model 2, supports this: after the reform, the increase of R&D investment in lone-founder firms is stronger (*$\beta = 0.0028$, $p < 0.05$*), confirming H2.

Table 13 Changes in R&D before and after OCP reform between family firms and nonfamily firms

	(1)	(2)
	H1	H2
VARIABLES	R&D	R&D
Family firm	0.0003	0.0009
	(0.000730)	(0.000818)
Post reform	0.0064***	0.0063***
	(0.000764)	(0.000773)
Family firm*post reform	0.0018**	0.0005
	(0.000790)	(0.000799)
Lone founder		-0.0011
		(0.00108)
Lone founder*family firm*post reform		0.0028**
		(0.00126)
Dividend payout ratio	0.0870	0.0849
	(0.0663)	(0.0664)
Cash flow	0.0050***	0.0051***
	(0.000565)	(0.000568)
Firm size	-0.0007***	-0.0008***
	(0.000235)	(0.000233)
Firm age	-0.0004***	-0.0004***
	(5.96e-05)	(5.97e-05)
ROA	0.0075***	0.0007***
	(0.00250)	(0.000140)
Tobin's Q	0.0008***	0.0075***
	(0.000141)	(0.00247)
R&D missing	-0.0119***	-0.0120***
	(0.000498)	(0.000501)
Constant	0.0278***	0.0282***
	(0.00597)	(0.00587)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	12,022	12,022
Number of firms	2,837	2,837

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

Robustness Checks

Our DID estimation rests on the parallel trend assumption between family and nonfamily firms before the OCP reform. To test for the parallel trend assumption, we re-ran the main regression on *R&D expenditure* with a dynamic DID estimation. As can be

seen in Figure 4, the differences in R&D between family and nonfamily firms before 2010 are negligible. This suggests that the treated and control groups were on parallel trends prior to the treatment. However, after the OCP reform, family firms' *R&D expenditure* significantly increased more compared to nonfamily firms.

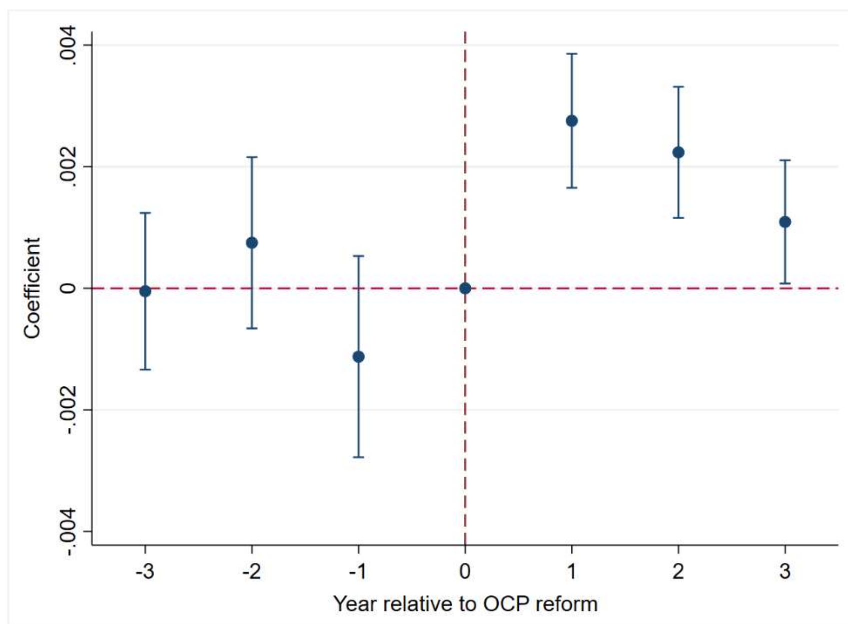

Figure 4 Robustness check of pretreatment trend

Notes: we use the years from 2010 to 2012 as the baseline. These years are labeled as "0" in the x axis.

We then conducted several robustness checks using alternative measures and model specifications. First, we replaced R&D expenditure with *capitalized R&D costs*, which reflect R&D outlays recorded as intangible assets rather than expenses. This accounting treatment indicates a firm's strong intention to complete and commercialize an R&D project (Prencipe et al., 2008; Wang et al., 2017). As shown in Model 1 (Table 14), the results are consistent with those in Model 1 (Table 13): family firms increased capitalized R&D costs more than nonfamily firms after the reform ($\beta = 0.0003, p < 0.05$). Next, to capture firms' long-term investment orientation beyond R&D, we used *capital*

expenditure as an alternative outcome variable. Capital expenditure represents investments in physical assets whose returns typically materialize over time (Anderson et al., 2012; Shao et al., 2013). Consistent with our theorizing, family firms showed a stronger increase in capital expenditure after the reform ($\beta = 0.0101, p < 0.01$; Table 14, Model 2).

Table 14 Robustness checks by alternative measures

VARIABLES	(1) Capitalized R&D costs	(2) Capital Expenditure	(3) R&D expenditure (family ownership as independent variable)	(4) R&D expenditure (2014 as shock)
Family firm	-0.0002	-0.000623	-0.000002	-0.0003
	(0.000186)	(0.00273)	(0.00001)	(0.000233)
Post reform	0.0014***	0.00197	0.00699***	0.0041***
	(0.000214)	(0.00348)	(0.000620)	(0.000496)
Family firm*post reform	0.0003**	0.0101***	0.00003**	0.0004*
	(0.000149)	(0.00301)	(0.00001)	(0.000254)
Constant	-0.0023	-0.128***	0.0294***	0.0043*
	(0.00166)	(0.0197)	(0.00446)	(0.00257)
Firm level controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	11,827	11,547	12,022	14,405
Number of firms	2,837	2,654	2,837	2,856

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

Second, we employed alternative measures of our main independent variable and exogenous treatment: (1) We replaced the dummy variable *family firm* with the actual proportion of family ownership, where family ownership in nonfamily firms is zero; (2) Instead of treating the exogenous shock as a three-year aggregated period, we also used a single time point (2014) as the cut-off to differentiate before- and after-reform periods (see Cumming et al. (2024) for a similar approach) [5]. As shown in Models 3 and 4 in Table

[5] The year that OCP reform was launched throughout the entire country.

14, our results remained qualitatively similar (the proportion of family ownership as independent variable: $\beta = 0.00003, p <0.05$; year 2014 as shock: $\beta = 0.0004, p <0.1$).

Furthermore, we employed a sample-split analysis to re-test H2 by splitting the family firm sample into *lone-founder firms* (40.8 percent) and *true family businesses* (59.2 percent) [6]. Then we compared each category with nonfamily firms in terms of *R&D expenditure*. Model 1 in Table 15 affirms our expectation that lone-founder firms increased R&D investments more than nonfamily firms ($\beta = 0.0032, p <0.01$). Interestingly, lone-founder firms appear to be the only driving force behind the observed changes in the R&D investments of family firms after the reform (in Models 2 and 3, Table 15, lone-founder firms vs. true family businesses: $\beta = 0.0028, p <0.01$; no significant difference in R&D between true family businesses and nonfamily firms). This is consistent with our argument that OCP reform had a greater impact on lone founders, who had not developed TGIs ex-ante, compared to true family business owners, who already embraced TGIs prior to the reform. In the post-reform period, lone founders who initially did not anticipate their children joining the firm may have begun to consider the succession of their business and legacy to the next generation, whereas true family businesses with family members already working in the firm had probably already considered this possibility.

[6] This distribution is different from what we have seen in the descriptive statistics, where founder-led firms account for about 85% of out sample. This is because “lone-founder firms” is a more strict definition, eliminating those firms that are controlled by the founders but other family members are also involved in the business.

Table 15 Robustness check by splitting the family firm sample

VARIABLES	(1)	(2)	(3)
	R&D		
	Lone-founder firms vs. Nonfamily firms	Lone-founder firms vs. True family businesses	True family businesses vs. Nonfamily firms
Post reform	0.0074***	0.0043***	0.0074***
	(0.000922)	(0.00126)	(0.000760)
Lone founder	0.0004	-0.0009	
	(0.000862)	(0.00114)	
Lone founder*post reform	0.0032***	0.0028**	
	(0.00117)	(0.00128)	
True family business			0.0006
			(0.000892)
True family business *post reform			0.0006
			(0.000824)
Constant	0.0074***	0.0043***	0.0074***
	(0.000922)	(0.00126)	(0.000760)
Firm level controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	8,439	5,944	9,661
Number of firms	1,946	1,741	2,431

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

Finally, we addressed a potential confounding factor: the Chinese government's sweeping anti-corruption campaign, which began in 2013 and overlapped with the OCP reform. This temporal overlap may raise the concern that the observed increase in corporate R&D by family firms might stem from greater general confidence in the improved institutional environment (Xu & Yano, 2017), rather than from increased TGIs induced by the OCP reform.

To rigorously test this alternative explanation, we measured the intensity of anti-corruption efforts at the province level using data on the number of corruption cases and

total embezzled amounts (2013–2018) from ChinaFile.com[7]. We classified provinces with above-median ratios (relative to national figures) as *high anti-corruption* effort regions. We then augmented our main model by adding a triple interaction term: *family firm*post reform*high anti-corruption.*

Table 16 Robustness check by regional anti-corruption enforcement effort

VARIABLES	(1) R&D	(2) R&D
Measure of anti-corruption efforts	By number of cases	By amount of money embezzled
Family firm	-0.0003	0.0006
	(0.00103)	(0.00113)
Post reform	0.0053***	0.0061***
	(0.000890)	(0.000949)
High anticorruption	-1.24e-05	0.0011
	(0.000676)	(0.000749)
Family firm*post reform*high anticorruption	-0.0004	0.0022
	(0.00171)	(0.00154)
Family firm*post reform	0.0021	0.0004
	(0.00142)	(0.00106)
High anticorruption*post reform	0.0016**	0.0004
	(0.000801)	(0.000830)
High anticorruption*family firm	0.0008	-0.0006
	(0.00134)	(0.00141)
Constant	0.0277***	0.0271***
	(0.00591)	(0.00596)
Firm level controls	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	12,022	12,022
Number of firms	2,837	2,837

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

If the improved institutional environment was driving the observed increase in R&D investments, the triple interaction term would be expected to be positive and statistically significant, specifically showing that family firms in high-effort regions responded more strongly. However, as shown in Models 1 and 2 in Table 16, the coefficients for the triple interaction term are not statistically significant. This insignificant finding is critical: it

[7] https://www.chinafile.com/infographics/visualizing-chinas-anti-corruption-campaign (accessed on December 10, 2024)

suggests that the campaign did not differentially affect the R&D investment decisions of family firms versus nonfamily firms following the OCP reform. Therefore, it is unlikely that the differential increase in R&D by family firms, is attributable to the general increase in institutional confidence stemming from the anti-corruption campaign, further solidifying our argument that TGIs are the primary driver.

MECHANISM EXPLORATION

The Chinese context enables us to further pin down the mechanisms behind our results. First, we provide evidence of the link between OCP reform and an increased willingness to have children. Second, we use additional analyses to further support our claim that the anticipation of having more children increased family owners' TGIs. Finally, we analyze various indicators to show that beyond R&D, Chinese family firms indeed adopt other typical family-firm behaviors post-reform.

OCP Reform and Increased Willingness to Have Children

We used the ratio of maternity insurance beneficiaries to total population at the province level to measure regional birth willingness. If OCP reform indeed increased people's willingness to have children, we should observe a higher ratio of maternity insurance beneficiaries after the reform. After the reform, families who wished to have a second child had to submit formal applications to their local government. We therefore used the application rate (number of applications/ population) to proxy regional preference for a second child. We define *high demand regions* as provinces where the application rate is above the median of all provinces in 2015. We expect that OCP reform will have an even greater impact on these regions. As can be seen in Table 17, Model 1,

the ratio of maternity insurance beneficiaries after the reform increased significantly relative to the pre-reform period, and the increase is stronger in *high demand regions* (*β = 0.0031, p <0.01*). Hence, we are confident that OCP reform indeed increased people's willingness to have more children, particularly in regions with a higher preference for larger families.

Table 17 Impacts of OCP reform on people's birth choice

VARIABLES	(1) Maternity insurance beneficiaries/population
High Demand Region	-0.0041**
	(0.00205)
Post Reform	0.0040***
	(0.000681)
High demand region*post reform	0.0031***
	(0.000673)
Regional GDP	-0.0000002***
	(5.08e-08)
Regional population	0.000004***
	(1.17e-06)
Constant	-0.0130***
	(0.00496)
Year FE	Yes
Region FE	Yes
Observations	174
Number of regions	29

Notes: Robust standard errors clustered at regional level. *** p<0.01, ** p<0.05, * p<0.1

Anticipation of More Children and Increases in Family Firm Owners' TGIs

We further explored the heterogeneity within the *family firm* group to provide empirical support for the argument that it is the anticipation of having more children (as per the OCP reform) that drives the increase in owners' TGIs.

First, we expect that the OCP reform should have had a stronger influence on people under the age at which fertility declines (Cumming et al., 2024; Huang et al., 2020). In the case of Chinese family firms, we expect OCP reform to have a stronger impact on the TGIs of owners under this age. Since 96.5 percent of owners in our sample are men,

we used 60 as the age threshold for declining fertility. We then compared family firms with owners under and over this age before and after OCP reform. As shown in Table 18, Model 1, after OCP reform, family firms with owners under the age at which fertility declines made significantly more R&D investments than family firms with owners over the age at which fertility declines (*β = 0.0014, p <0.01*)[8]. This suggests that the impact of OCP reform on family firms is driven by younger owners who have a higher possibility of having more children.

Second, we leveraged regional differences in preferences for larger families to provide additional evidence that the OCP reform increased family owners' TGIs by anticipating changes in family size. These regional preferences translate into a higher demand for children after the reform (Smith et al., 2018). Specifically, we argue that the reform's impact is stronger among family firms located in regions with such preference. As a result, we expect a greater effect of the OCP reform on R&D investments in these regions. We adopt the measure of *high demand regions* from previous analyses and use it as a proxy for the general preference for larger families in a given province. Indeed, the results in Table 18, Model 2, support our conjecture, showing that family firms in *high demand regions* exhibit even greater R&D investments (*β = 0.0056, p < 0.01*).

[8] We incorporated owner-level control variables to further consider the personal characteristics of the owners. It is useful to note that in our main analysis comparing family firms and nonfamily firms, it is impossible to include owner-level controls because most nonfamily firms are not owned by natural people.

Table 18 Heterogeneity in family firms

VARIABLES	(1) R&D	(2) R&D
Post reform	0.0004	0.0015
	(0.000503)	(0.00137)
Fertile (<=60)	-0.0005	
	(0.000507)	
Fertile (<=60)*post reform	0.0014***	
	(0.000500)	
High demand region		0.0003
		(0.00105)
Post reform*high demand region		0.0056***
		(0.00127)
Constant	-0.0068	0.0306***
	(0.00455)	(0.00971)
Firm level controls	Yes	Yes
Owner level controls	Yes	No
Firm FE	Yes	Yes
Year FE	Yes	Yes
Observations	2,701	5,944
Number of firms	885	1,741

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

Did Family Owners Adopt Other Characteristic Family-Firm Behaviors Post-Reform?

Our theorizing assumes that the development of TGIs promotes an incremental mindset of the firm's potential for growth and change (Dweck, 2006; Gómez-Mejía et al., 2025). Beyond their influence on R&D, this change in cognitive orientation is expected to shape broader strategic behaviors associated with sustaining the firm's future, such as ethical conduct, leadership stability, and governance stewardship. To provide robust evidence supporting the mechanism through which TGIs transform firm behavior, we examine the OCP reform's influence on several firm outcomes typically associated with a sustained, long-term family logic.

The first indicator is *stock market violation*. We define *violation* as a dummy variable equal to 1 if the China Security Regulatory Commission issued at least one

corporate fraud enforcement action against the firm in a given year, and 0 otherwise. Cumming et al. (2024) demonstrate that when family owners increase their anticipation of family succession, they behave more ethically to protect the family reputation and ensure the family legacy. Thus, we expect family firms to reduce violations when their TGIs increase. In Table 19, Model 1, we perform a logit model and obtain a result showing that after the reform, family firms lowered their likelihood of committing a violation by 35.1 percent, a greater decrease than observed for nonfamily firms ($p < 0.05$).

The second indicator is *leadership stability*, measured by CEO turnover. A core characteristic of family firms is their emphasis on long-term relationships and employment security for key personnel (Gómez-Mejía et al., 2024; Lumpkin & Brigham, 2011). In Model 2 of Table 19, we define *CEO turnover* as a dummy variable equal to 1 if CEO turnover happened in a given year, and 0 otherwise. The result shows that after the reform, the likelihood of changing CEOs in family firms decreased by 40.26 percent compared with nonfamily firms ($p < 0.01$). This strong decrease indicates that, following the TGI shock, family firms placed a significantly higher priority on stability and the continuity of top management.

The last indicator is *governance quality*. We first measure it by the frequency of board meetings and shareholder meetings. Board activities strengthen the monitoring of the firm and have been found to have a positive influence on firm value (Brick & Chidambaran, 2010; Vafeas, 1999). Listening to shareholders' voices can also improve the long-term profitability of the firm (Cuñat et al., 2015). As shown in Table 19, Models 3 to 5, after the reform, family firms significantly increased their meeting frequency

compared with nonfamily firms (board meeting: *β = 0.5746, p <0.01*; supervisory board meeting: *β = 0.7556, p <0.01*; shareholder meeting: *β = 0.2471, p <0.01*).

Taken together, these empirical findings converge to suggest that Chinese family firms, following the OCP reform, began to exhibit more pronounced and typical family-firm strategic behaviors. The simultaneous decrease in corporate violations, the prioritization of leadership stability, and the strengthening of governance structures, strongly support our argument that the shift toward an incremental mindset, driven by strengthened TGIs, is the mechanism responsible for transforming entrepreneurial ventures into firms that epitomize the characteristic behaviors of the family firm model.

Table 19 Changes in other strategic behaviors before and after OCP reform (family firm vs. nonfamily firm)

VARIABLES	(1) Violation	(2) CEO turnover	(3) Frequency of board meetings	(4) Frequency of supervisory board meetings	(5) Frequency of shareholder meetings
Family firm	0.5417***	-0.1486*	0.6366***	0.1220*	0.4680***
	(0.145)	(0.0798)	(0.158)	(0.0704)	(0.0616)
Post reform	1.8689***	-0.0208	-0.5661***	1.2515***	0.3198***
	(0.184)	(0.0965)	(0.160)	(0.138)	(0.0712)
Family firm* post reform	-0.3510**	-0.4026***	0.5746***	0.7556***	0.2471***
	(0.156)	(0.0939)	(0.157)	(0.156)	(0.0728)
Constant	-0.7124	-1.487***	-10.8992***	2.0686***	-3.6625***
	(0.846)	(0.553)	(1.523)	(0.723)	(0.672)
Firm level controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Observations	12,022	12,022	12,009	5,416	12,022
Number of firms	2,837	2,837	2,837	1,955	2,837

Notes: Robust standard errors clustered at firm level. *** p<0.01, ** p<0.05, * p<0.1

DISCUSSION AND CONCLUSION

Our study provides novel theoretical insights into how TGIs, a defining feature of family firms, shape strategic behaviors by altering the cognitive mindset of family owners.

Leveraging China's OCP reform as a natural experiment, we show that the expansion of succession possibilities significantly intensified family owners' TGIs. This shift, in turn, fostered a future-oriented, incremental mindset regarding the firm's adaptability and long-term potential. This cognitive mechanism helps to explain when entrepreneurial ventures transform into family-oriented firms.

Empirically, our findings show that family firms responded to the OCP reform with significantly increased more in R&D investments compared to nonfamily firms, validating our proposed cognitive mechanism. When TGIs became more feasible, family owners were more likely to treat the firm as malleable rather than fixed and to invest in projects with delayed payoffs. In other words, TGIs did not just describe *who the firm is*; they helped produce *what the firm does*. This insight enriches the behavioral definition of family firms (Chua et al., 1999, 2004) by linking owner intentions to observable strategic behaviors.

Our study makes several important theoretical contributions. First, our findings advance the behavioral definition of family firms (Chua et al., 1999). While the existing behavioral perspective emphasizes the *intention* to maintain transgenerational control as central to defining family firms, empirical research often treats TGIs as a static characteristic (Bammens et al., 2022) rather than a dynamic cognitive mechanism. Our study explicitly shows that TGIs are not merely static attributes, but dynamic cognitive mechanisms that actively shape firm behavior. The emergence and strengthening of TGIs can trigger significant shifts in strategic decision making, particularly in long-term investments such as R&D. This highlights that family firms are often *"made"* through

evolving cognitive and behavioral processes, rather than simply defined by structural characteristics.

Second, we extend implicit theory into the context of entrepreneurship and family business. Implicit theory usually concerns beliefs about personal abilities (Dweck, 2013; Dweck & Leggett, 1988). Our results suggest that founders' beliefs about their firms' capacity to develop and improve, activated by TGIs, can foster an incremental mindset at the organizational level. This mindset reduces short-term discounting and encourages sustained investment in learning and innovation. This connects entrepreneurial cognition to resource allocation and helps explain why family owners may support exploration even when immediate results are uncertain (Bammens et al., 2022; Strike et al., 2015).

Our third contribution is to bridge entrepreneurship and family business by showing how founders/entrepreneurs' strategies adapt in response to life-course events and institutional changes. While entrepreneurship research often focuses on early stages processes such as opportunity recognition and initial growth (Shane & Venkataraman, 2000), our study shows that macro-level demographic reform can prompt founders to extend their time horizons, strengthen legacy goals, and reallocate resources toward long-term objectives such as R&D. This perspective clarifies how founder-led ventures can evolve into family-oriented businesses as both external contexts and internal intentions shift.

Our findings also add to the recent work of Gómez-Mejía et al. (2025), who were the first to introduce implicit theory into the study of firm behavior in family business contexts. They propose that when the intensity of SEW is high, family owners tend to

adopt a more entity-oriented mindset, emphasizing preservation and stability, which reduces risk-taking and innovation. Our results appear to move in the opposite direction: when TGIs, a key but distinct SEW dimension, strengthens, family firms increase investment in R&D. We interpret this contrast as evidence that SEW is multidimensional (Gomez-Mejia et al., 2011) and that different dimensions can shape cognition in opposing ways. While family control and identity preservation may promote an entity view that values stability, TGIs activate a future-focused logic centered on growth, learning, and endurance. Thus, TGIs function as the developmental face of SEW, transforming legacy concerns into incremental mindsets that encourage long-term strategic renewal rather than risk aversion.

Our study is not without limitations. First, we were unable to directly measure family owners' TGIs, instead inferring them from the policy shift's broader implications on family structure. Future research might address this limitation by eliciting direct measures of TGIs through surveys. However, we acknowledge practical difficulties associated with obtaining accurate longitudinal survey data from owners of publicly listed firms. Second, although we used family owners' age to approximate their fertility and demonstrate heightened responsiveness to the OCP reform among younger owners, detailed family-specific data such as spouses' ages or children's gender remain unavailable. Collecting such information would require considerable manual effort and is likely hindered by incomplete or biased public disclosures, particularly given social stigmas surrounding the violation of previous family-size limits (Cai & Feng, 2021).

Additionally, one might argue that China's status as a transition economy undergoing multiple pro-market reforms could independently encourage firms' long-term

strategic orientations (Banalieva et al., 2015; Meng et al., 2024). Nevertheless, existing research (Cumming et al., 2024; Huang et al., 2020), together with our robustness analyses, provides compelling evidence that the OCP reform specifically influenced family firm behaviors by reshaping owners' TGIs and subsequent R&D investments. Furthermore, our robustness checks, such as considering regional anti-corruption initiatives, suggest broader institutional improvements are unlikely to explain the differential responses between family and nonfamily firms. Thus, we encourage further research leveraging China's unique institutional context to explore other reforms and their impacts on strategic behaviors.

Despite these limitations, our findings offer meaningful insights. By tracing how a demographic reform raised TGIs, shifted mindsets, and moved strategies toward long term in family firms, we clarify when and how entrepreneurial ventures become family-oriented. The process is cognitive as well as structural: intentions change, mindsets shift, and strategy follows.

CHAPTER 3: STRUCTURE WITHOUT VOICE: BOARD INDEPENDENCE IN CHINESE FAMILY FIRMS

ABSTRACT

This study examines how controlling ownership shapes structural and behavioral board independence in Chinese listed firms. We theorize and find evidence of structural–behavioral decoupling: While family-owned firms appoint a higher proportion of independent directors than state-owned enterprises (SOEs), independent directors in family firms are less likely to express dissent. We explain this paradox through three mechanisms: *legitimacy signaling*, which motivates family firms to structurally over-comply with governance norms, and *relational sanctioning* and *reputational containment*, which jointly constrain behavioral independence. Drawing on regulatory data on board proposals and independent director dissent, our findings advance a behavioral theory of corporate governance by showing how institutional and relational dynamics jointly shape directors' oversight behavior and the realization of board independence.

Keywords: *behavioral corporate governance, board independence, independent director dissent, family firms, state-owned enterprises, China*

INTRODUCTION

Research on board governance has traditionally equated board independence with structural indicators such as the proportion of independent directors or the separation of CEO and chair roles (Krause et al., 2013; Linck et al., 2009; Rosenstein & Wyatt, 1990). Yet decades of empirical inquiry yield inconsistent findings regarding the link between such proxies and firm-level outcomes, such as performance and monitoring effectiveness (Bhagat & Bolton, 2008; Boivie et al., 2016; Dalton et al., 1998). These inconsistencies highlight a fundamental limitation: structural measures only capture *who* sits on the board but reveal little about what directors *actually do* (Boivie et al., 2016; Hambrick et al., 2015; Klarner et al., 2021). Therefore, independence on paper may not translate into independence in practice.

Previous research on board governance has tended to rely on agency theory, which primarily focuses on incentive misalignments between principals and agents (Fama & Jensen, 1983; Jensen & Meckling, 1976). Following the agency logic, independent directors serve a crucial control function by monitoring managerial performance and preventing self-interested behavior (Fama & Jensen, 1983). Most of this existing research operationalizes independence mainly as the absence of formal ties, such as employment, family, or business relationships with the firm (Anderson & Reeb, 2004). However, this formal notion of independence overlooks social influences that can influence directors' ability to monitor effectively (Bednar, 2012). Evidence from behavioral governance research shows that informal relationships, demographic similarities, and social norms between firm constituents and directors often compromise monitoring effectiveness (Chen et al., 2023; Chen et al., 2020; Westphal & Zajac, 1995). Following this behavioral

perspective, board independence should be viewed both structurally and socially. Board interactions are shaped by social expectations, relational obligations, and institutional norms, making governance not just an incentive mechanism but a social process of influence, conformity, and reciprocity within elite networks (Van Ees et al., 2009; Westphal & Zajac, 2013).

More specifically, a *socially situated* and *socially constituted* behavioral perspective treats boards as social arenas of decision-making, negotiation, and contestation (Van Ees et al., 2009). Being *socially situated* means that directors act within networks of relationships, norms, and power structures that shape what is acceptable or expected in board interactions. Being *socially constituted* highlights that directors' beliefs, values, and role perceptions are formed through socialization and prior institutional experiences, which define what they see as legitimate or appropriate behavior (Westphal & Zajac, 2013). Within this view, voting behavior, especially dissent, emerges as a particularly salient behavioral indicator (Chen et al., 2023; Jiang et al., 2015). By voting against or abstaining from proposals, independent directors demonstrate a willingness to challenge prevailing preferences and fulfil their monitoring role (Ma & Khanna, 2016). Unlike structural indicators, dissent reflects whether directors exercise judgement and oversight as decisions unfold (Jiang et al., 2015; Xiao et al., 2021).

Aligned with the argument that neither board composition nor dissent occur in a "social vacuum", a growing body of research highlights the role of ownership (e.g., Aguilera & Crespi-Cladera, 2016; Federo et al., 2020; Hautz et al., 2013; Klein et al., 2005; Sur et al., 2013). Owners have distinct set of interests which not only shape the formal composition of boards but also the behavioral expectations that directors face

(Aguilera & Crespi-Cladera, 2016; Desender et al., 2013). For instance, firms dominated by families or corporate parents in the US often include a higher proportion of insiders or affiliated directors, whereas firms with substantial institutional ownership tend to favor greater board independence (Sur et al., 2013). Ownership also conditions how directors behave: state owners may discourage dissent when it threatens political alignment (Kakabadse et al., 2010), while financial investors may press directors to challenge proposals that compromise short-term returns (García-Meca et al., 2017). In this sense, ownership heterogeneity configures both the structure of boards and the likelihood that directors will express opposition. These dynamics raise a broader research question: *How does firm ownership shape structural and behavioral board independence?*

Within this broader puzzle, China offers a theoretically compelling setting because its controlling ownership structures, board behavior, and institutional pressures intersect in distinctive ways (Chen et al., 2006; Gao & Yang, 2021; Jiang & Kim, 2020; Sheng & Zhan, 2005). First, Chinese listed firms are subject to regulatory mandates requiring the appointment of independent directors and the disclosure of their dissenting vote, offering a unique opportunity to study director behavior (Jiang et al., 2015; Ma & Khanna, 2016). Second, two distinct ownership forms with relevant implications for board structure and behavior dominate this setting: family-owned firms and state-owned enterprises (SOEs). In family-owned firms, controlling family owners elevate the importance of structural independence, as directors are expected to protect minority shareholders from potentially self-serving decisions by dominant owners (Cuadrado-Ballesteros et al., 2015; Hillman & Dalziel, 2003). Yet, the relational dynamics and socioemotional wealth (SEW) priorities of family firms, emphasizing control, reputation, and cohesion over purely financial

outcomes (Gómez-Mejía et al., 2007), may constrain directors' willingness to openly oppose family goals. In contrast, Chinese state owners shape board structure and behavior through bureaucratic appointments and political connections (Li et al., 2015). However, their limited involvement in daily operations and delegation of managerial authority to professional executives and boards (Jiang & Kim, 2020) create a relational and monitoring distance that can weaken oversight and expand the scope for formal dissent. These contrasting dynamics create a paradox: structural board independence may not necessarily translate into behavioral independence in practice.

We aim to understand this paradox by comparing the behavioral manifestations of dissent across the two dominant ownership structures in China. We theorize a form of *structural-behavioral decoupling* in the Chinese context: family firms may appoint more independent directors than SOEs, but these directors are less likely to voice dissent. This paradox arises from the interplay of divergent social norms, relationships, and institutional expectations that jointly shape how independence is structurally and behaviorally expressed within boards.

For family firms, formal compliance with governance norms offers reputational and legitimacy benefits. Appointing independent directors serves as a visible mechanism to signal conformity to regulatory and market expectations (Wang & Lee, 2012), reflecting socially influenced responses to external legitimacy pressures. Yet paradoxically the socially situated and constituted context of family control constrains behavioral independence. Independent directors face heightened *relational sanctioning*, as dissent risks undermining personal ties with controlling owners and threatening reappointment or compensation. They also experience *reputational containment* pressures, as public

disagreement may be interpreted as internal disunity, potentially damaging the firm's social image. In contrast, SOEs, though often less structurally independent, operate under more bureaucratic and institutionalized governance arrangements. Independent directors in these firms encounter weaker relational obligations and stronger institutional pressures to perform their monitoring role, making dissent more feasible and less socially costly. Consequently, family firms may appear more compliant on paper but show weaker behavioral independence in practice.

Empirically, we leverage unique regulatory disclosures mandated by the China Securities Regulatory Commission (CSRC), which require listed firms to publicly report independent director dissent. Using a comprehensive dataset of board meeting proposals and director voting behavior during 2003-2023 period, we rigorously test our theoretical arguments. Our findings support the proposed structural-behavioral decoupling: family firms appoint more independent directors on average, yet these directors are less likely to dissent than their counterparts in SOEs.

This study contributes to the corporate governance literature in three keyways. First, it integrates ownership heterogeneity into a behavioral perspective on board independence, showing how family control reshapes directors' social and relational dynamics in ways that suppress dissent. In doing so, it responds to calls to conceptualize boards as socially situated and constituted arenas, where relational interactions, informal norms, and institutional pressures intersect, rather than as fully agency mechanisms (Westphal & Zajac, 2013). Second, it shifts focus from structural proxies of board independence to a behavioral outcome, independent director dissent, and unpacks the mechanisms that suppress overt opposition: relational sanctioning, and reputational

containment. This answers calls to theorize governance as socially influenced rather than as a purely incentive-driven monitoring problem (Van Ees et al., 2009). Third, it offers a contextually grounded, macro–micro account of governance in China, where institutional mandates and relational logics coexist. By doing so, we advance a more sociologically attuned understanding of governance and extend corporate governance theory beyond its Anglo-American core (Aguilera & Jackson, 2003, 2010).

EMPIRICAL CONTEXT

China's Board Governance Landscape and Independent Director System

China's corporate governance system is relatively young and continues to evolve through ongoing regulatory reform and market development (J. P. Fan et al., 2007; Peng, 2004). These reforms form part of a broader governmental strategy to facilitate the marketization of the Chinese economy (Fan et al., 2011; Jian & Wong, 2010). Since the early 2000s, the state has promoted formal governance mechanisms, such as the independent director system, mandatory information disclosure, and strengthened shareholder protection, not only to improve corporate accountability but also to signal China's commitment to market-driven economic modernization (Jiang & Kim, 2020; Ma & Khanna, 2016). The government views such practices as key instruments to enhance transparency, attract foreign investment, and project an image of a market-driven economy aligned with global standards (Jiang et al., 2020; Jiang & Kim, 2020). The independent director system, introduced in 2001, was central to this effort, symbolizing China's intent to strengthen oversight and align with international best practices (Fan et al., 2007; Ma & Khanna, 2016; Peng, 2004). Through these measures, the government sought to reassure both domestic

and global investors of its commitment to transparency, accountability, and credible governance.

In practice, board meetings in publicly-listed firms follow a majority voting system, where directors vote on corporate proposals concerning financial decisions, executive appointments, and major strategic moves (Jiang et al., 2015). The China Securities Regulatory Commission (CSRC) mandates that publicly listed firms maintain a board structure in which independent directors comprise at least one-third of the board, ensuring oversight and protecting minority shareholders' interests (CSRC, 2001). Board meeting proposals can be introduced by several key actors, such as the chairperson (Jiang & Kim, 2020), the controlling shareholders (Li & Qian, 2013), and senior executives (Firth et al., 2007). Importantly, to enhance transparency and accountability, the CSRC mandates that publicly listed firms disclose independent directors' dissenting opinions when they vote against or abstain from board meeting proposals (Ma & Khanna, 2016). These dissenting votes, recorded in company filings, serve as an important indicator of board independence and governance effectiveness (Baysinger & Butler, 2019).

Yet, despite ongoing efforts, China is still characterized by several issues which influence board governance. First, ownership concentration remains high, with limited participation from minority shareholders, resulting in weak balances among shareholders (Li & Qian, 2013). This concentrated ownership structure often allows controlling shareholders (e.g., family owners and the state) to exert significant influence over decision-making, sometimes at the expense of minority shareholders (Claessens et al., 2000). Second, there is significant overlap between the board of directors and management, with many directors holding executive positions, including frequent cases

where the board chair also serves as the CEO, leading to insufficient internal oversight (Firth et al., 2007). This lack of board independence weakens the monitoring function, increasing the risk of managerial entrenchment and self-dealing (Jiang et al., 2016). Third, institutional pressures, interpersonal ties (*guanxi*), face concerns, and political gatekeeping tend to shape boardroom behavior in ways not fully captured by formal rules (Gao & Kling, 2012). These social and institutional dynamics influence how directors interact, deliberate, and vote (Westphal & Zajac, 2013). As a result, independent director dissent remains relatively rare, as social and relational pressures from controlling owners may discourage boardroom opposition (Chen et al., 2023). Accordingly, this regulatory framework offers a rare opportunity to understand and observe how ownership shapes not just the structure of boards, but also the behavioral realization of independence.

THEORETICAL FRAMEWORK

A Behavioral Perspective on Board Governance and Ownership

Traditional agency theory views ownership as a uniform mechanism to align managerial interests with those of shareholders (Fama & Jensen, 1983; Jensen & Meckling, 1976). However, a growing body of research has challenged the assumption of owner homogeneity, highlighting instead that different types of owners, such as families, states, or financial institutions, exert distinct influences on governance processes and outcomes (Cruz et al., 2014; Demsetz & Villalonga, 2001; Hautz et al., 2013).

Owners vary not only in their goals, ranging from profit maximization to political alignment or family legacy, but also in how they interact with boards (Aguilera & Crespi-Cladera, 2016; Connelly et al., 2010). Evidence reveals that owners actively engage in

corporate governance through both direct and indirect mechanisms, influencing board structure, composition, and monitoring practices (Desender et al., 2013). Owners frequently employ informal interventions to shape board governance beyond formal procedures, affecting boardroom dynamics significantly (McCahery et al., 2016). For instance, institutional investors may exert influence through behind-the-scenes engagements, and family owners often shape board behavior through informal social expectations and relational pressures (Desender et al., 2013).

From this standpoint, the behavioral perspective on corporate governance recasts boards as *socially situated* and *socially constituted* arenas rather than purely economic instruments for interest alignment (Westphal & Zajac, 2013). According to Westphal and Zajac (2013), socially situated means that directors' behaviors are embedded in networks of relationships, norms, and hierarchies that condition how they perceive their roles and what forms of behavior are deemed appropriate, while socially constituted highlights how directors' identities, values, and cognitive frames are shaped by prior socialization and institutional experiences. These internalized understandings define what directors perceive as legitimate or desirable courses of behavior.

For instance, behavioral governance scholars have expanded institutional perspectives by suggesting that firm-level socio-political processes influence governance structure (Westphal & Zajac, 2013). Behavioral and institutional scholars have noted that organizations may engage in *decoupling*, which refers to the symbolic adoption of formal structures and practices to conform to dominant institutional logics while avoiding their full implementation in practice (Meyer & Rowan, 1977; Westphal, 1998; Westphal & Bednar, 2005). In corporate governance, this implies that firm leaders may use formal

compliance with governance norms as a tool for legitimacy enhancement, adopting structures such as independent boards or transparency mechanisms primarily to signal alignment with prevailing market-oriented practices (Fiss & Zajac, 2004; Ma & Khanna, 2016). Through social and symbolic influence, executives can maintain the appearance of good governance while informally preserving decision-making practices that advance their personal, familial, or political interests (Chen et al., 2006; Chen et al., 2023; Westphal, 1998; Westphal & Khanna, 2003).

A particularly pervasive behavioral mechanism of board governance through which social influence unfolds is ingratiation—the use of opinion conformity or flattery to maintain favorable relationships and secure cooperation (Gordon, 1996). In corporate settings, opinion conformity serves as a subtle but powerful form of social control, as agreement generates interpersonal liking and perceived competence, while dissent risks relational sanctions (Kakabadse et al., 2010; Westphal, 1998). In this sense, owners can foster behavioral compliance not through formal authority, but through relational influence that cultivates conformity and suppresses open disagreement (Witt et al., 2021).

Together, these concepts underscore that governance behavior cannot be reduced to incentive contracts or monitoring costs (Van Ees et al., 2009). Directors operate within networks of expectations, obligations, and status hierarchies that shape what is seen as appropriate behavior (Hambrick et al., 2015; Westphal & Zajac, 2013). These social and relational dimensions may exert a powerful influence on board behavior, particularly in settings like China, where there are distinct forms of concentrated ownership structures, evolving institutions, and unique interpersonal ties (*guanxi*) (Jiang & Kim, 2020).

Structural and Behavioral Board Independence

Independent directors are widely seen as key to board effectiveness, tasked with monitoring management, safeguarding minority shareholders, and providing objective oversight (Cuadrado-Ballesteros et al., 2015; Fama & Jensen, 1983). Their presence strengthens board accountability and ensures the representation of minority shareholder interests (Hillman & Dalziel, 2003). Generally, from a structural perspective, boards with a higher proportion of independent directors are regarded as a signal for "good" governance (Anderson & Reeb, 2004; Rosenstein & Wyatt, 1990). Indeed, Wang and Lee (2012) find that stock market react positively after voluntary independent director appointments.

Yet, mounting evidence shows that board independence alone does not guarantee stronger oversight (Adams et al., 2010). Its effectiveness is not uniform and varies based on social and relational dynamics (Chen et al., 2023; Jiang et al., 2016). Some studies suggest that independent directors' monitoring roles are influenced by their social standing, inter-firm connections, and personal relationships (Hwang & Kim, 2009; Johnson et al., 2013). Moreover, studies indicate that the presence of independent directors do not always enhance shareholder value (Adams et al., 2011; Dalton et al., 1998), further raising questions about their behavior and role in boardroom effectiveness.

As advanced, a key behavioral proxy of director independence is dissent—voting against or abstaining from proposals that do not align with shareholder interests (Westphal & Bednar, 2005). Unlike structural proxies such as the independence ratio, dissent reflects whether directors actively challenge proposals that may harm shareholder

interests (Fei, 2022; Jiang et al., 2016; Letendre, 2004). Zona and Zattoni (2007) suggest that board cognitive conflict and disagreement are beneficial to the board monitoring performance as they may induce the CEO and top management to consider and evaluate other strategic alternatives more carefully than the ones on the table. Empirical evidence suggests that independent directors' dissent can lead to improved detection of corporate misconduct and, ultimately, better firm performance (Tang et al., 2013; Xiao et al., 2021).

Yet dissent remains rare, especially in contexts where directors face social or political costs for opposing dominant interests (Chen et al., 2023; Ma & Khanna, 2016). Interview evidence from Chinese independent directors provides insight into why dissent is so infrequent (Sheng & Zhan, 2005). Despite formal regulations mandating independent director appointments and dissent disclosures, directors face strong disincentives to challenge majority preferences (Kakabadse et al., 2010). Many are nominated by controlling shareholders or senior executives, and their compensation is likewise determined by the very actors they are expected to monitor (Chen et al., 2020), creating structural dependency. Moreover, a prevailing relational culture rooted in face-saving and harmony discourages disagreement or dissent, even when directors recognize problematic proposals (Li et al., 2021). Interviews also reveal that some directors knowingly voted in favor of flawed proposals due to doubts about their own judgment, interpersonal pressure, or fear of offending dominant insiders (Sheng & Zhan, 2005). Collectively, these findings suggest that ownership has important implications for both structural and behavioral independence of directors.

HYPOTHESES DEVELOPMENT

Ownership and Board Independence in Chinese Firms

We argue that ownership structure fundamentally shapes board independence in China. We compare two dominant ownership forms in Chinese firms, family ownership and state ownership, to explain how each configures the structural and behavioral context of independent directors.

We expect that, from a structural perspective, Chinese family firms will appoint more independent directors than their state-owned counterparts. A key mechanism that we suggest shapes this outcome is *legitimacy signaling*. Appointing independent directors serves as a visible mechanism to signal conformity to regulatory and market expectations (Wang & Lee, 2012), reflecting socially situated and constituted responses to external legitimacy pressures. According to institutional theory, organizations that are more ingrained in the established institutions are seen as more legitimate (DiMaggio & Powell, 1983). Compared to SOEs, most family firms in China are newer market entrants and lack the long-standing institutional embeddedness and political affiliations (Gao & Yang, 2021). To build credibility in the eyes of regulators, investors, and other external stakeholders, family firms have stronger incentives to conform to formal corporate governance practices promoted by the Chinese government. This motivation is also consistent with the literature on conformity (Gao & Hafsi, 2015; Zhao et al., 2017), which shows that family firms are especially motivated to engage in legitimized behaviors that reinforce social standing and family reputation (Ge & Micelotta, 2019). In environments like China, where conformity to institutional norms signals credibility (Zhang et al., 2019),

family firms are more likely to adopt highly visible and institutionally promoted practices. Among these practices, the appointment of independent directors is a visible and measurable compliance marker (Hasija et al., 2025).

As a result, we argue that family firms may go further than required (Ge & Micelotta, 2019), "over-complying" by appointing a higher proportion of independent directors than SOEs (del Carmen Briano-Turrent & Poletti-Hughes, 2017). While SOEs may appoint independent directors out of regulative obligation, family firms may see them as a tool for signaling legitimacy. Accordingly, in this context, rather than appointing non-independent directors to preserve family authority (Anderson & Reeb, 2004; Bettinelli et al., 2024), family owners may leverage their control to appoint directors who enhance the firm's legitimacy in the eyes of regulators and capital markets. Hence,

Hypothesis 1 (H1): Chinese family firms will appoint a higher proportion of independent directors than SOEs.

While structural independence may be higher in family firms, we expect that dissent is more likely to be suppressed. Aligned with a socially situated and constituted behavioral perspective (Westphal & Zajac, 2013), we argue that board behavior is shaped by social expectations and relational pressures that influence directors' willingness to voice disagreement.

We propose two behavioral mechanisms explaining lower dissent of independent directors in family firms. First, we anticipate that the heightened social costs of dissent, which we term as *relational sanctioning*, differentiate family firms from SOEs. When directors oppose proposals, they risk damaging personal ties with controlling owners,

which may result in exclusion from future appointments, reduced compensation, or reputational marginalization (Kakabadse et al., 2010). These risks are intensified by the reliance on interpersonal ties (*guanxi*) in China which are prevalent in family firms (Li et al., 2021; Xin & Pearce, 1996). Family firms often emphasize mutual trust, shared values and attitudes in their governance systems (Eddleston et al., 2010; Mustakallio et al., 2002). In such relationally embedded environments, saying "no" to controlling owners (i.e., a form of non-ingratiation) is perceived not merely as disagreement, but as a breach of trust and loyalty (Li et al., 2021). In contrast, SOEs operate under more bureaucratic and standardized HR protocols (Liu et al., 2016), and state owners tend to be more distant from day-to-day management and relations with directors (Jiang & Kim, 2020), reducing the likelihood of personalized retaliation from dissenting. As a result, the social costs of dissent for directors should be considerably higher in family firms than in SOEs.

Second, we argue that *reputational containment* also suppresses dissent. From a behavioral governance lens (Westphal & Zajac, 2013), disagreement is not only a matter of personal choice but also a socially interpreted act that can threaten collective image and legitimacy. Independent directors may worry that dissent signals internal instability to external stakeholders, especially in firms with fragile legitimacy (Rhee & Valdez, 2009). Because family firms in China are often younger and less institutionalized than SOEs (Tang et al., 2017; Zhang et al., 2025), they are particularly sensitive to signs of internal conflict. Publicly-disclosed dissent may be interpreted as a breakdown in unity or a failure of governance, potentially harming the firm's standing with investors, regulators, or the media (Kakabadse et al., 2010). To avoid these risks, independent directors in family firms may suppress dissent in formal board settings and instead communicate concerns

privately with controlling owners (Sheng & Zhan, 2005). This preference for behind-the-scenes dialogue reflects a desire to preserve harmony while still influencing decisions.

In contrast, SOEs operate within a governance environment shaped by the Chinese government's recent emphasis on formal corporate governance practices (Jiang et al., 2020; Jiang & Kim, 2020). As part of a broader effort to signal marketization and a shift toward rule-based capitalism, the state has promoted independent director systems and transparency reforms to demonstrate that the economy is becoming more market-driven and less centrally controlled (J. P. Fan et al., 2007; Peng, 2004). Consequently, independent directors in SOEs perceive their monitoring role as both symbolically and substantively important. Their oversight behavior aligns with institutional expectations to project legitimacy to domestic and foreign stakeholders, strengthening the appearance of accountability and improving perceptions of corporate governance credibility (Wong, 2016). Thus, rather than being constrained by social and relational dynamics, directors in SOEs may be more likely to practice formal oversight and express dissent when necessary, interpreting it as part of their institutional and professional duty.

Together, these mechanisms create divergent behavioral outcomes across ownership forms. In family firms, relational sanctioning and reputational containment suppress dissent through social influence and role redefinition, leading to *decoupling* between structural and behavioral independence. In SOEs, by contrast, the institutional push to showcase market-oriented governance enhances the salience of independent directors' monitoring roles, encouraging them to exercise behavioral independence effectively. Accordingly,

Hypothesis 2 (H2): Independent directors in family firms are less likely to dissent than independent directors in SOEs.

RESEARCH METHODS

Data and Sample

Our empirical analysis combines board structure and director behavior data from Chinese A-share listed firms to examine how ownership structure shapes both structural and behavioral board independence. The study covers the period 2003–2023 and draws from multiple sources within the China Stock Market and Accounting Research (CSMAR) database, including independent directors' voting records disclosed under the China Securities Regulatory Commission (CSRC)'s mandatory reporting requirements.

We exclude financial and insurance firms due to their distinct governance and regulatory regimes and drop firm-years with missing governance or ownership information. The final dataset includes 4,541 firms and 48,927 firm-year observations for analyses of board structure (H1), as well as a proposal-level dataset of 653,849 board proposals from 4,492 firms for analyses of dissent behavior (H2).

Measures

Dependent Variables

H1: *Board Independence* is measured as the proportion of independent directors on the board in a given year. This structural indicator captures the extent to which the board conforms to formal governance requirements and is widely used in prior studies (Anderson & Reeb, 2004; Li et al., 2015; Ma & Khanna, 2016).

H2: Aligning previous research on independent director dissent (Ma & Khanna, 2016) and our behavioral theorizing, we define *Dissent* at the proposal level, *Dissent* equals 1 if at least one independent director votes against or abstains on a given board meeting proposal, and 0 otherwise[9].

Independent Variable

Family Firm is a dummy variable equal to 1 if the ultimate controlling shareholder is a family or individual, and 0 if the controlling shareholder is the state. We identify ownership type following the CSMAR classification of ultimate control, distinguishing family-controlled firms from state-owned enterprises (SOEs). This binary classification allows us to compare ownership types that differ fundamentally in their institutional embeddedness, governance incentives, and relational structures (Gao & Yang, 2021; Jiang & Kim, 2020).

Control Variables

Following previous research on board independence, we include a comprehensive set of firm- and board-level controls that may influence board composition and behavior (e.g., Chen et al., 2023; Ma & Khanna, 2016). At the firm level, we control for *firm size* (log of total assets), *leverage* (total debt to assets ratio), profitability using both *ROA* and *ROE*, and *tunnelling* (measured as other receivables to total assets ratio) to account for potential expropriation risks. At the board level, we include *board size* (number of directors), *female director ratio*, *dual CEO* (dummy = 1 if the CEO also serves as board

[9] In our robustness check, we also define *Dissent* at the firm-year level, *Dissent* equals 1 if at least one dissenting vote occurs in any proposal within that year, and 0 otherwise.

chair), and *same location* (dummy = 1 if the independent director resides in the same province as the firm's headquarters).

All variables are minorized at the 1st and 99th percentiles to mitigate the influence of outliers (Kennedy et al., 1992). Robust standard errors are clustered at the firm level. Table 20 and Table 21 report the descriptive statistics and correlations of the main variables. Notably, about 54.5% of our firm-year observations are family firms, reflecting the relatively equal importance of SOEs and family firms in the Chinese economy. Furthermore, only 1.1% of firms in our sample experienced dissent in a given year, highlighting the rare occurrence of this event.

Table 20 Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Family firm	52692	.545	.498	0	1
Board independence	52692	.377	.072	0	.8
Dissent	52692	.011	.103	0	1
Firm size	52690	22.043	1.438	19.185	26.937
Tunnelling	52028	.022	.045	0	.333
Leverage	52689	.452	.226	.053	1.128
ROE	52025	.041	.19	-1.231	.354
ROA	52689	.029	.076	-.372	.207
Female director ratio	52692	.145	.124	0	.833
Board size	52692	10.071	2.708	4	31
Dual CEO	51184	.268	.443	0	1
Same location	51594	.383	.486	0	1

Table 21 Correlation table

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Family firm	1.000											
(2) board independence	0.189	1.000										
(3) Dissent	-0.016	-0.009	1.000									
(4) Firm size	-0.288	0.001	-0.016	1.000								
(5) Tunnelling	-0.042	-0.066	0.087	-0.132	1.000							
(6) Leverage	-0.262	-0.073	0.059	0.366	0.263	1.000						
(7) ROE	0.008	0.023	-0.065	0.093	-0.225	-0.235	1.000					
(8) ROA	0.056	0.035	-0.077	0.046	-0.276	-0.397	0.853	1.000				
(9) Female director ratio	0.194	0.078	-0.011	-0.091	-0.043	-0.092	-0.016	0.010	1.000			
(10) Board size	-0.261	-0.151	0.056	0.310	-0.011	0.182	-0.043	-0.071	-0.064	1.000		
(11) Dual CEO	0.308	0.118	-0.017	-0.150	-0.046	-0.149	0.008	0.031	0.129	-0.158	1.000	
(12) Same location	-0.055	-0.002	-0.015	-0.026	-0.011	-0.016	0.034	0.036	-0.005	-0.035	-0.009	1.000

EMPIRICAL ANALYSIS

Main Results

To test H1, that family firms appoint a higher proportion of independent directors than SOEs, we estimate a firm and year fixed effects regression model. Table 22 reports the regression result for board independence. Consistent with H1, the coefficient of *Family Firm* is positive and statistically significant ($\beta = 0.0115, p < 0.01$). This finding indicates that, on average, family firms in China appoint a higher proportion of independent directors than SOEs.

Table 22 Analysis on structural board independence

VARIABLES	(1) Board independence
Family firm	0.0115***
	(0.00228)
Firm size	-0.00226**
	(0.000883)
Tunnelling	-0.0105
	(0.0119)
Leverage	0.00720**
	(0.00338)
ROE	0.00708*
	(0.00363)
ROA	-0.00884
	(0.0105)
Female director ratio	0.0189***
	(0.00480)
Board size	0.00208***
	(0.000222)
Dual CEO	0.00192
	(0.00122)
Same location	-0.00127
	(0.000822)
Constant	0.359***
	(0.0181)
Year FE	Yes
Firm FE	Yes
Observations	48,927
Number of firms	4,541
R-squared	0.037

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

To visualize this pattern, Figure 5 plots the average proportion of independent directors in family and SOEs between 2003 and 2023. The figure shows that family firms consistently maintain a higher level of structural board independence throughout the observation period, with both ownership types converging towards the regulatory threshold of one-third independent directors over time (since 2006). This descriptive trend together with the regression evidence support our argument that family firms tend to "over-comply" with governance requirements as a means of signaling legitimacy and aligning with institutional expectations.

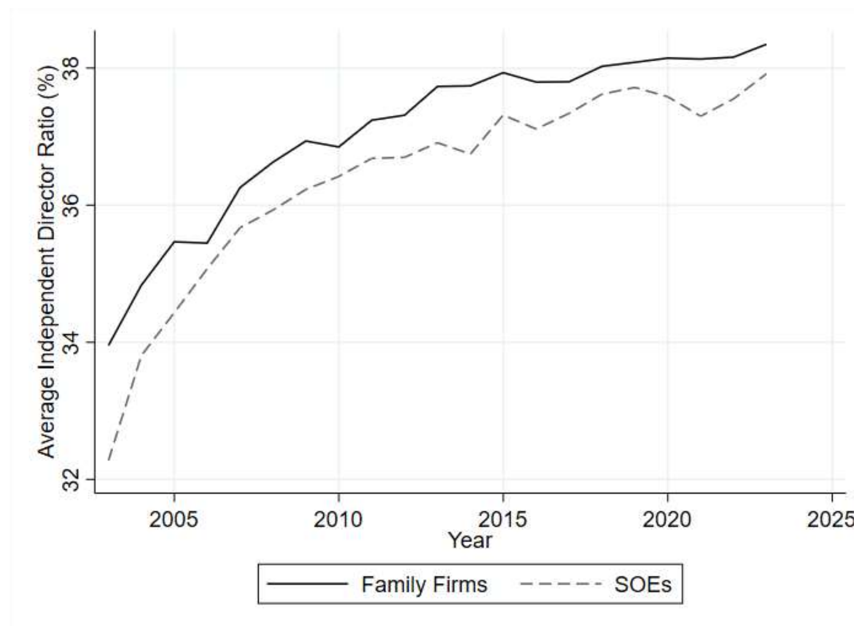

Figure 5 Average Independent Director Ratio in Family and SOEs (2003–2023)

We next examine H2, which predicts that independent directors in family firms are less likely to dissent than those in SOEs. Since H2 concerns directors' behavioral choices within board decision processes, the proposal-level data, which captures every instance of director voting, offers the most theoretically aligned test. We estimate two

complementary models. We first estimate a pooled logit model with year and proposal-topic fixed effects, and firm-level clustered standard errors. In this model, the coefficient of *Family Firm* is negative and significant (Table 23, Model 1: $\beta = -0.271, p < 0.01$). We then estimate a multilevel mixed-effects logit model with random intercepts for firms and Mundlak-adjusted firm means of time-varying covariates, accounting for proposals nested within firms[10]. Model 2 of Table 23 reports the results of this model, showing the effect of *Family Firm* remains negative and significant ($\beta = -0.351, p < 0.01$). Both models produce strong and consistent results for H2. These findings confirm that even after accounting for firm-level clustering and unobserved heterogeneity, directors in family firms are significantly less likely to dissent.

The findings from H1 and H2 support our proposed structural-behavioral decoupling in corporate governance. Family firms appear more compliant with formal governance requirements, appointing more independent directors than SOEs, yet these directors are less willing to express dissent in board deliberations. This pattern exemplifies a form of "structure without voice", where formal structures mask constrained behavioral autonomy. The proposal-level evidence is particularly revealing: despite comparable formal board compositions, family-controlled boards exhibit systematically lower dissent probabilities across decisions. These results suggest that the presence of independent directors in family firms often fulfils symbolic and legitimizing functions rather than facilitating genuine monitoring.

[10] A multilevel mixed-effects logit model is appropriate because proposals are nested within firms, and the error terms for proposals from the same firm are likely correlated. Modelling a random intercept for each firm corrects for this clustering while allowing us to retain the time-invariant ownership variable (*Family Firm*) in the model. Fixed-effects logit, by contrast, would eliminate all firms with no within-firm variation in dissent.

Table 23 Proposal-level analysis on dissent (H2)

VARIABLES	(1) Dissent	(2) Dissent
Family firm	-0.271***	-0.351***
	(0.0846)	(0.119)
Firm size	-0.368***	-0.310***
	(0.0391)	(0.0672)
Tunnelling	1.660***	1.561**
	(0.571)	(0.788)
Leverage	1.504***	1.872***
	(0.222)	(0.310)
ROE	-0.196	0.0503
	(0.196)	(0.265)
ROA	-1.970***	-1.647*
	(0.630)	(0.914)
Female director ratio	0.0469	-0.662
	(0.339)	(0.490)
Board size	0.192***	0.134***
	(0.00967)	(0.0145)
Dual CEO	-0.142	-0.0878
	(0.0978)	(0.128)
Same location	-0.270***	-0.105
	(0.0822)	(0.109)
Board independence	1.269***	2.686***
	(0.473)	(0.674)
Constant	0.351	-3.791**
	(0.822)	(1.660)
Proposal type FE	Yes	Yes
Year FE	Yes	Yes
Random intercepts (firm)		Yes
Mundlak firm-means		Yes
Observations	653,849	653,849
Number of firms	4,492	4,492

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Robustness Test

Following Ma and Khanna (2016), we further estimate a pooled logit model to predict the probability that at least one dissent event occurs in a given firm-year. We then estimate a conditional (fixed-effects) logit model including firm fixed effects to control for time-invariant firm characteristics. In the pooled logit model (Table 24, Model 1), the coefficient of *Family Firm* is negative and significant ($\beta = -0.214, p < 0.05$), suggesting that independent directors are less likely to dissent in family firms than in SOEs. However,

in the conditional fixed-effects model (Table 24, Model 2), the coefficient becomes small and statistically insignificant. This attenuation mirrors Ma and Khanna (2016), who note that the fixed-effects model retains only firms that ever experienced dissent, significantly reducing sample size and variation.

Table 24 Firm-year level analysis on dissent (H2)

VARIABLES	(1) Dissent	(2) Dissent
Family firm	-0.214**	0.045
	(0.106)	(0.204)
Firm size	-0.229***	-0.185***
	(0.0399)	(0.0672)
Tunnelling	4.372***	5.140***
	(0.674)	(0.981)
Leverage	1.138***	0.706*
	(0.258)	(0.387)
ROE	-0.244	-0.307
	(0.302)	(0.352)
ROA	-2.037**	-1.633
	(0.997)	(1.191)
Female director ratio	-0.414	0.0570
	(0.427)	(0.620)
Board size	0.162***	0.133***
	(0.0149)	(0.0189)
Dual CEO	-0.212*	-0.172
	(0.126)	(0.167)
Same location	-0.294***	-0.240*
	(0.104)	(0.130)
Board independence	0.233	0.663
	(0.684)	(0.827)
Constant	-1.780**	
	(0.863)	
Firm FE	yes	yes
Year FE	yes	yes
Observations	48,927	5,784
Number of firms		357

Notes: Standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Post hoc Analysis

To further probe our proposed mechanisms, we conducted additional analyses examining whether the family ownership effect on independent director dissent holds

across different proposal types, firm conditions, and regional socio-cultural contexts. These tests help to reveal that the suppressive effect of family ownership on dissent varies systematically with the salience of social versus formal pressures. The effect weakens when institutional scrutiny is high, and when relational and conformity norms are weak. This pattern reinforces our behavioral governance view: directors' independence is not only structurally constrained but also socially situated.

Proposal types: related-party transactions (RPT) versus other proposals[11]

RPTs are exchanges between a company and its controlling shareholders, executives, or affiliated entities that may not occur on an arm's-length basis (Cheung et al., 2009). Prior evidence suggests that RPTs can serve as vehicles for opportunistic behavior. For instance, Jian and Wong (2010) show that Chinese controlling owners use RPTs to inflate earnings and transfer resources within business groups. Moreover, firms engaging in RPTs tend to be valued lower by investors who perceive them as signs of weak governance (Kohlbeck & Mayhew, 2010). Because RPTs are more likely to involve conflicts of interest, they attract stronger scrutiny from regulators, auditors, and investors. Under such pressures, the salience for independent directors to practice their monitoring roles increases, reducing the influence of informal relational pressures from family owners. Consistently, we find that the negative association between family firm and dissent disappears for RPT proposals (Table 25, Models 1 and 2: no significant

[11] Other types of proposals include: personnel change (including directors, executives, etc.), change in assets, equity division reform and adjustment scheme. compensation and incentive schemes of directors and executives, annual report (financial reports, profit distribution, amendments and supplements of report, etc.), guarantee, investment & acquisition, audit, change in equity, and capital raising.

relationship between family firm and dissent) but remains for routine, less-regulated proposals (Table 25, Model 3: $\beta = -0.259, p < 0.01$; Model 4: $\beta = -0.317, p < 0.01$).

Table 25 Post hoc analysis-split samples by proposal type

VARIABLES	(1) Dissent	(2) Dissent	(3) Dissent	(4) Dissent
Sample	RPT		Non-RPT	
Family firm	-0.389	-0.368	-0.259***	-0.317***
	(0.347)	(0.424)	(0.0873)	(0.122)
Constant	-5.076**	-2.152	0.660	-4.370**
	(2.174)	(4.119)	(0.866)	(1.720)
Controls	Yes	Yes	Yes	Yes
Proposal type FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Random intercepts (firm)		Yes		Yes
Mundlak firm-means		Yes		Yes
Observations	44,525	44,525	598,433	598,433
Number of firms	3,854	3,854	4,491	4,491

Notes: Robust standard errors in parentheses.*** p<0.01, ** p<0.05, * p<0.1

Firm agency conditions: tunnelling intensity

Tunnelling refers to the transfer of resources that benefits controlling owners at the expense of minority shareholders (Johnson et al., 2000). It captures the ability of controlling owners to extract private benefits of control creates strong signals of potential misconduct (Haß et al., 2016). When such risks are salient, boards operate under heightened social scrutiny, and directors become more sensitive to reputational containment concerns. In family firms, where relational pressures typically suppress dissent, these external cues can realign behavioral priorities toward formal oversight. Using the 75th percentile of the industry–year tunnelling distribution as the cutoff, we find that the family ownership effect disappears in the high-tunnelling group (Table 26, Models 1 and 2: no significant relationship between family firm and dissent), but remains in the low-tunnelling group (Table 26, Model 3: $\beta = -0.296, p < 0.01$; Model 4: $\beta = -0.613, p <$

0.01)[12]. Thus, when agency risks are visible, reputational concerns overrides relational conformity, leading directors, even in family firms, to act more independently.

Table 26 Post hoc analysis-split samples by tunnelling (75 percentile)

VARIABLES	(1) Dissent	(2) Dissent	(3) Dissent	(4) Dissent
Sample	High tunnelling (> 75th pct)		Low tunnelling (≤ 75th pct)	
Family firm	-0.162	-0.206	-0.296***	-0.613***
	(0.143)	(0.209)	(0.104)	(0.165)
Constant	-0.383	-5.141*	0.123	-2.682
	(1.464)	(2.997)	(1.007)	(2.023)
Controls	Yes	Yes	Yes	Yes
Proposal type FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Random intercepts (firm)		Yes		Yes
Mundlak firm-means		Yes		Yes
Observations	141,494	141,494	504,242	504,242
Number of firms	2,427	2,427	4,386	4,386

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Regional culture: family and harmony values

Cultural context plays a significant role in shaping board governance (Li & Harrison, 2008). Prior studies show that social norms and cultural values influence directors' behavior and monitoring incentives (Buck & Shahrim, 2005). In regions that emphasize family cohesion and social conformity, people may prefer to avoid open conflict and preserve relationships (Gunkel et al., 2016), heightening the risk of relational sanctioning from controlling owners. Consequently, independent directors may be more inclined to conform rather than challenge proposals. Using the median provincial divorce ratio as a proxy for family and conformity values (Gohm et al., 1998; Mentser & Sagiv, 2025), we find that the negative effect of family ownership on dissent persists in low-

[12] Using the median tunnelling level as an alternative cutoff produces no significant difference between subsamples, suggesting that the family ownership effect only vanishes once tunnelling intensity reaches a high threshold.

divorce regions (Table 27, Model 3: $\beta = -0.427, p < 0.01$; Model 4: $\beta = -0.422, p < 0.01$), but disappears where divorce ratios are high (Table 27, Models 1 and 2: no significant relationship between family firm and dissent).

Table 27 Post hoc analysis-split samples by regional divorce ratio

VARIABLES	(1) Dissent	(2) Dissent	(3) Dissent	(4) Dissent
Sample	High divorce ratio		Low divorce ratio	
Family firm	-0.199	-0.264	-0.427***	-0.422**
	(0.141)	(0.203)	(0.123)	(0.173)
Constant	2.362*	-0.690	0.106	-4.234*
	(1.274)	(2.528)	(1.304)	(2.517)
Controls	Yes	Yes	Yes	Yes
Proposal type FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Random intercepts (firm)		Yes		Yes
Mundlak firm-means		Yes		Yes
Observations	213,940	213,940	365,208	365,208
Number of firms	2,194	2,194	3,281	3,281

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1

Together, these results support a behavioral view of the boardroom. The family ownership effect on dissent becomes weaker or disappears when formal oversight or cultural norms reduce the influence of social relationships. These findings show that the link between family ownership and dissent depends on the issue and context.

DISCUSSION AND CONCLUSION

This study sheds light on the behavioral dynamics of board independence by exploring how controlling ownership in Chinese listed firms shape both structural and behavioral board independence. Our findings reveal that while family firms structurally over-comply with governance mandates by appointing more independent directors than SOEs, these directors are substantially less likely to dissent. This structural–behavioral decoupling

underscores a disconnect between formal governance structures and enacted oversight behavior, rooted in ownership's influence on the socially situated and constituted arena of board interactions.

These findings support our proposed mechanisms of legitimacy signaling, relational sanctioning and reputational containment. Chinese family firms appoint more independent directors as a legitimacy signal to external stakeholders and regulators, complying with governance norms to build credibility in the market. However, independent directors in family firms face high relational and social costs of dissent, as challenging dominant family owners can threaten their future appointments and reputations. This is consistent with prior research emphasizing the importance of *guanxi* and embeddedness in Chinese corporate settings (Jiang & Kim, 2020; Li et al., 2021; Su & Littlefield, 2001). Additionally, the reputational sensitivity of family firms amplifies directors' reluctance to signal internal conflicts. In contrast, SOEs, despite their lower structural independence, offer institutional protections and lower interpersonal risks for dissent, thereby facilitating more active monitoring behavior.

This study makes three contributions to the literature on corporate governance and board behavior. First, we extend behavioral theories of corporate governance (Van Ees et al., 2009; Westphal & Zajac, 2013) by developing and testing a framework of structural-behavioral decoupling, a state in which formal governance structures appear robust, but directors are socially disincentivized from performing their monitoring function. This builds on recent work that sees boards not as monolithic entities but as arenas shaped by informal relations, social exchange dynamics, and symbolic compliance (Chen et al., 2023; Jiang et al., 2015).

Second, we theorize and demonstrate how ownership heterogeneity, specifically the contrast between family and state ownership, reshapes the behavioral expectations, constraints, and monitoring capacities of independent directors. In doing so, we complement prior comparative governance studies (Aguilera & Crespi-Cladera, 2016; Aguilera & Jackson, 2003) by unpacking the micro-foundations of ownership influence on boardroom behaviors. Rather than treating ownership as a background condition, our study foregrounds it as powerful in shaping behavioral dynamics in board governance (Desender et al., 2013).

Third, we embed our theorizing in a non-Western governance setting, thereby responding directly to calls to move beyond Anglo-American templates and develop pluralistic models that reflect institutional diversity (Aguilera & Jackson, 2003; Witt et al., 2021). Our study highlights how national institutional features, such as state mandates, relational and social dynamics, and family-centered ownership, interact with firm-level governance practices to produce unique forms of symbolic compliance. Importantly, we respond to appeals for more research that centers emerging markets not as anomalies but as sites of theoretical development (e.g., Gao & Yang, 2021; Li & Qian, 2013). Rather than viewing China's regulatory regime as a backdrop, we treat it as a distinctive institutional configuration that simultaneously promotes formal compliance and sustains informal constraints.

Finally, our findings have implications for how scholars conceptualize and measure board independence. Much of the governance literature continues to rely on structural proxies (e.g., percentage of independent directors) to infer board effectiveness (Adams et al., 2010; Dalton et al., 1998). Our study adds to the growing chorus of scholars (Jiang

et al., 2015) questioning the sufficiency of such measures by showing that structural independence can coexist with behavioral passivity.

Our findings also carry several practical implications. First, they caution against equating structural governance with functional oversight, particularly in environments where informal norms and relational pressures are strong. Regulators, investors, and rating agencies in China and other emerging markets should be skeptical of independence ratios as reliable indicators of board effectiveness. Second, policy reforms aimed at improving director independence should focus not only on structural criteria, but also on strengthening behavioral safeguards, such as legal protections for dissenting directors, enhanced transparency of board deliberations, and support for director autonomy. Third, for family-controlled firms in particular, our findings suggest that real board independence may require efforts to reduce informal sanctions against dissent, increase directors' access to firm-relevant information, and clarify the boundaries between ownership and oversight. Corporate governance toolkits—such as the introduction of lead independent directors, board evaluations, and third-party facilitated board training—may help reinforce behavioral independence.

This study opens several avenues for further inquiry. Scholars might examine how other forms of ownership, such as private equity, foreign institutional investors, or mixed-ownership enterprises, shape behavioral independence. Future work might also explore how director-level traits—such as tenure, status, or external reputation—interact with ownership structures to either constrain or enable dissent (Westphal & Khanna, 2003). In addition, future qualitative studies could investigate how directors and owners themselves perceive board functions, the meaning of independence, and the role of dissent in

deliberations and decision-making. Additionally, comparative studies across emerging markets could investigate whether similar forms of behavioral decoupling arise under other legitimacy-seeking regimes or in contexts where informal institutions dominate.

In sum, our study contributes to recent efforts to pluralize strategic leadership and governance theory by examining how national institutional logics and firm-level ownership types jointly shape the behavioral realization of board independence. We show that structural independence without voice is not independence in practice, and that effective oversight cannot be achieved by structure alone. By decentering dominant assumptions, engaging an emerging institutional setting, and theorizing dissent as a behavioral outcome, our study offers a nuanced understanding of how strategic governance plays out in diverse organizational landscapes.

CONCLUDING REMARKS

This dissertation sets out to examine how family ownership shapes firm behavior and value creation through intertwined behavioral, cognitive, and institutional mechanisms. Across three essays, it has traced the evolution of family firms in China: from their emergence through privatization, to the development of transgenerational intentions, and finally to the behavioral realization of governance within the boardroom. Taken together, the essays reveal that family ownership is not merely a structural category but a dynamic and contextually embedded system of cognition, competence, and social relations.

A unifying insight emerges across the three essays: family ownership exerts influence through behavioral and cognitive pathways that interact with institutional conditions. Concentrated ownership in China allows dominant owners to imprint their firms with personal cognition, relational norms, and intentions for continuity. In privatized firms, this enables family owners to exercise ownership competence; in founder-led firms, to translate intentions into long-term strategies; and in family-controlled boards, to shape the social realization of governance. Together, these mechanisms form a behavioral and institutional architecture through which family ownership produces distinctive strategic and governance outcomes.

The dissertation also underscores the importance of context. China's institutional transition, from state to market, from collective to private ownership, offers a rare laboratory to observe ownership change in real time. The privatization process isolates the behavioral impact of new family controllers while holding organizational legacies constant, revealing how owner cognition and competence manifest as performance

differences. Moreover, China's high ownership concentration and relational capitalism amplify the social embeddedness of governance, illustrating that family business phenomena are deeply intertwined with institutional and cultural settings.

Theoretically, the dissertation makes three broad contributions. First, it extends ownership research by conceptualizing ownership as a capability, not merely a structure. By integrating the ownership-competence framework into the study of privatization, it explains why some new controllers, particularly family owners, can generate value where others cannot. Second, it advances behavioral theories of family firms by identifying transgenerational intentions as the cognitive origin of family orientation and linking them to observable strategic behavior. Third, it enriches corporate-governance theory by shifting attention from structural compliance to behavioral realization, showing how relational and institutional pressures shape directors' independence in family-controlled contexts.

Practically, these insights inform both policymakers and practitioners. Policymakers designing privatization or mixed-ownership reforms can leverage family ownership as a governance mechanism capable of improving efficiency, provided adequate institutional safeguards are in place. For family-business leaders, the findings highlight that sustainable competitive advantage depends not only on control retention but also on cultivating cognitive openness, professional governance, and relational accountability. For investors and regulators, the results caution that structural indicators such as independent-director ratios may misrepresent actual governance quality in relational settings.

While the dissertation provides a cohesive framework for understanding the behavioral and institutional foundations of family firms, it also opens new avenues for inquiry. Future research could extend the ownership-competence approach to other institutional transitions, such as digital transformation or mixed-ownership reform. Longitudinal and qualitative studies could further illuminate how TGIs evolve within families and how intergenerational cognition is transmitted over time. Similarly, cross-country comparative research could explore whether structural–behavioral decoupling in governance is unique to China or common in other emerging markets characterized by concentrated ownership and relational norms.

In sum, this dissertation positions family ownership as both a source of strategic capability and a locus of behavioral complexity. Through their competencies, intentions, and social relations, family owners not only pursue economic goals but also reconfigure institutions and governance practices in ways that shape the trajectory of emerging economies. By situating these dynamics within China's distinctive institutional transformation, the dissertation demonstrates that understanding family firms requires bridging micro-level cognition with macro-level institutional change. Family firms, in this view, are not static organizational forms but evolving systems of ownership, identity, and governance that continue to redefine the boundaries of capitalism itself.

COMENTARIOS FINALES

Esta disertación se propuso examinar cómo la propiedad familiar moldea el comportamiento de las empresas y la creación de valor a través de mecanismos conductuales, cognitivos e institucionales entrelazados. A lo largo de tres ensayos, se ha rastreado la evolución de las empresas familiares en China: desde su surgimiento a través de la privatización, pasando por el desarrollo de las intenciones transgeneracionales, hasta la realización conductual de la gobernanza dentro del consejo de administración. En conjunto, los ensayos revelan que la propiedad familiar no es simplemente una categoría estructural, sino un sistema dinámico y contextualizado de cognición, competencia y relaciones sociales.

De los tres ensayos surge una idea unificadora: la propiedad familiar ejerce su influencia a través de vías conductuales y cognitivas que interactúan con las condiciones institucionales. La concentración de propiedad en China permite que los propietarios dominantes impriman en sus empresas su propia cognición, normas relacionales e intenciones de continuidad. En las empresas privatizadas, esto permite a los propietarios familiares ejercer su competencia de propiedad; en las empresas dirigidas por fundadores, traducir sus intenciones en estrategias a largo plazo; y en los consejos controlados por familias, moldear la realización social de la gobernanza. En conjunto, estos mecanismos conforman una arquitectura conductual e institucional mediante la cual la propiedad familiar produce resultados estratégicos y de gobernanza distintivos.

La disertación también subraya la importancia del contexto. La transición institucional de China, del Estado al mercado, de la propiedad colectiva a la privada,

ofrece un laboratorio único para observar el cambio de propiedad en tiempo real. El proceso de privatización permite aislar el impacto conductual de los nuevos controladores familiares manteniendo constantes los legados organizativos, revelando cómo la cognición y la competencia de los propietarios se manifiestan en diferencias de desempeño. Además, la alta concentración de propiedad y el capitalismo relacional en China amplifican la inserción social de la gobernanza, ilustrando que los fenómenos de la empresa familiar están profundamente entrelazados con los entornos institucionales y culturales.

En términos teóricos, la disertación realiza tres contribuciones amplias. Primero, amplía la investigación sobre propiedad al conceptualizar la propiedad como una capacidad, y no simplemente como una estructura. Al integrar el marco de competencia de propiedad en el estudio de la privatización, explica por qué algunos nuevos controladores, en particular los propietarios familiares, pueden generar valor donde otros no. Segundo, avanza las teorías conductuales de la empresa familiar al identificar las intenciones transgeneracionales como el origen cognitivo de la orientación familiar y vincularlas con comportamientos estratégicos observables. Tercero, enriquece la teoría de la gobernanza corporativa al desplazar la atención del cumplimiento estructural hacia la realización conductual, mostrando cómo las presiones relacionales e institucionales moldean la independencia de los directores en contextos controlados por familias.

En términos prácticos, estas ideas aportan implicaciones tanto para los responsables de políticas como para los profesionales. Los responsables de políticas que diseñan procesos de privatización o reformas de propiedad mixta pueden aprovechar la propiedad familiar como un mecanismo de gobernanza capaz de mejorar la eficiencia,

siempre que existan salvaguardias institucionales adecuadas. Para los líderes de empresas familiares, los hallazgos destacan que la ventaja competitiva sostenible depende no solo de la retención del control, sino también del cultivo de una apertura cognitiva, una gobernanza profesional y una responsabilidad relacional. Para inversores y reguladores, los resultados advierten que los indicadores estructurales, como las proporciones de directores independientes, pueden no reflejar con precisión la calidad real de la gobernanza en entornos relacionales.

Si bien la disertación proporciona un marco coherente para comprender los fundamentos conductuales e institucionales de las empresas familiares, también abre nuevas vías de investigación. Los estudios futuros podrían ampliar el enfoque de competencia de propiedad a otras transiciones institucionales, como la transformación digital o las reformas de propiedad mixta. Los estudios longitudinales y cualitativos podrían iluminar cómo evolucionan las TGIs dentro de las familias y cómo se transmite la cognición intergeneracional a lo largo del tiempo. De manera similar, la investigación comparativa entre países podría explorar si el desacoplamiento estructural–conductual en la gobernanza es exclusivo de China o común en otros mercados emergentes caracterizados por una propiedad concentrada y normas relacionales.

En suma, esta disertación posiciona la propiedad familiar como una fuente de capacidad estratégica y un núcleo de complejidad conductual. A través de sus competencias, intenciones y relaciones sociales, los propietarios familiares no solo persiguen objetivos económicos, sino que también reconfiguran las instituciones y las prácticas de gobernanza de maneras que moldean la trayectoria de las economías emergentes. Al situar estas dinámicas dentro de la transformación institucional distintiva

de China, la disertación demuestra que comprender las empresas familiares requiere conectar la cognición a nivel micro con el cambio institucional a nivel macro. Las empresas familiares, desde esta perspectiva, no son formas organizativas estáticas, sino sistemas en evolución de propiedad, identidad y gobernanza que continúan redefiniendo los límites mismos del capitalismo.

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