Research on the Impact of Successor Training Modes on Succession Performance in Family Business

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Abstract. Entering the high-quality development stage of family businesses in the new era, how to better meet the diversified needs in inheritance has become a vital issue. This paper focuses on the influence of training modes of family business successors and succession performance. Furthermore, this paper puts forward three industrial development strategies under the challenges brought by technology. First, the two-way migration strategy, balancing innovation and stability, achieves effective migration by improving the quality of training. Second, the shared governance strategy strengthens system optimization and decision support. Achieve intelligent decision-making and successor cultivation by establishing a regulation and governance system. Third, return to the essence. Seek the balance between tradition and innovation to ensure the inheritance and development of family businesses. Based on the comprehensive research results, this paper noted that the sustainable development of family businesses and the improvement of succession performance can be achieved by improving the training model, standardizing management, strengthening technical support, and responding to challenges.

Keywords: Family business; The training of successor; Succession performance; Challenges; Strategies

1 Introduction

The inheritance and development of family business has always been a concern of entrepreneurs, and the training of successors is the core of this process. The innovation of the succession model is the critical condition and guarantee for sustainable development. This paper proposes an innovation strategy for succession mode. Through theoretical analysis and empirical research, the risk in the inheritance process is reduced, which has far-reaching theoretical and practical significance. This study explores the impact of successor training modes in the family business on succession performance to fill the gaps in existing research. Based on the latest data, this study enriches the inheritance samples and expands the universality and representativeness of the study.

2   The Training Modes of Successors and New Changes in Succession Performance

The application of multimodal generation in training family business successors is a new concept compared with the internal training method. When exploring the impact of different successor training models on succession performance, there is a hypothesis: Compared with overseas training methods, internal training is more conducive to the succession of family businesses. Research shows that heirs' emotional commitment to the family business and organizational identification are key to successful inheritance [1]. Managers with a high sense of identity tend to show greater cooperation, altruism, and willingness to overcome difficulties to achieve corporate goals [2]. The domestic training model helps the successor get involved in the family business from an early stage, gradually clarify their responsibilities, and build trust through long-term practice, and it is easier to build an emotional identity towards the family business [3]. However, foreign management practices may influence the heirs of overseas training and may not agree well with their parents' entrepreneurial ideas and family business values.

The interaction between the market, user needs, and industrial chain plays a significant role in successor training modes in the family business. Studies have shown that the successor's emotional commitment and recognition of the enterprise are crucial to success [4]. The first generation of founders grew up in the era of planned economy, and the second generation grew up in the era of market economy, so differences in business concepts between the two generations can have an impact on the company's management and performance [5]. Therefore, family businesses need to develop reasonable succession plans, balance, and collaboration. Additionally, family businesses need to respect the perspectives of the next generation and foster their successors' skills and confidence [6].

3   The Impact of Market Trends on Training Decisions

Based on the CSMAR private listed company database and Wind database, this study will manually sort out the family businesses listed in A-shares from 2003 to 2020. In addition to focusing on the weeding out of family businesses where the second generation is involved, we also focused on identifying patterns that continue after the company goes public (with the successor officially assuming the company's top management as the node). The market and accounting performance before and after the succession are analyzed by comparing public data. Based on the personal resumes of the executives disclosed in the annual report, supplemented by manual queries one by one, we will obtain detailed information about the personal experience of the founders and successors, such as academic qualifications, academic background, employment experience, political connections, and the length of internal and external experience in the family business before the succession, to determine the type of training model for successors.

This study uses unbalanced panel data samples of Shanghai and Shenzhen A-share listed companies from 2010 to 2022, which excludes financial industry samples and ST

listed companies, as well as samples with missing values. At the same time, in order to control the influence of extreme values, the winsorize tail reduction method is used to process all continuous variables at 1% and 99% levels. The data were derived from the Cathay Pacific database, and the data processing was completed in Excel 2003 and Stata16.0 software. Finally, we got 15904 valid samples. The variable and definition are shown in Table 1.

Table 1. Definition of unbalanced panel data sample variables of Shanghai and Shenzhen A-share listed companies

Variable		Definition
Explained variable	ROA	Return on Assets
	TobinQ	Tobin's Q value
Core explanatory variables	Oversea	Dummy variable; if the second generation has overseas study experience, it is assigned a value of 1. Otherwise, it is 0.
Control variables	Size	The natural logarithm of a company's total assets
	Lev	Assets and liabilities
	Cashflow	Net cash flow from operating activities/total assets
	Board	Natural logarithm of board size
	Dual	Dummy variable; assigned a value of 1 when the chairman and general manager are the same person. Otherwise, it is 0.
	TMTAge	The average age of executives
	Big4	Virtual variable; the audited audit company is assigned a value of 1 when it is the Big Four, otherwise it is 0.
	TOP1	The first largest fixed shareholding ratio
	Mfee	Management fees ratio
	BM	Book-to-market value ratio

This study explores the relationship between the industrial chain and the development of family businesses. The position and influence of family businesses in the industrial chain reflect the development status of enterprises and the expansion trend of the industrial chain.

4   Industrial Development Strategies Under the Challenge of Technology

4.1   Two-Way Migration: Balancing Innovation and Stability

Family business succession is restricted by technology, and it is necessary to improve the quality of training to achieve effective migration. Traditional succession training doesn't meet the needs of family businesses, so intelligent, standardized training is needed. Intelligent training should aim at improving succession performance and achieve a balance between innovation, stability, and tradition. Because of the diversity and complexity of the training model, it is necessary to regulate and review the model

to ensure that the training model is consistent with the sustainable development attributes of the family business.

4.2 Shared Governance: System Optimization and Decision Support

From the perspective of shared governance, the successor training model is the primary link of family business and the core of sustainable development. Therefore, the successor training model mainly generates logic to improve success performance. Family members are the main participants in the successor training model and are also the decision-makers of the family business. At present, family members strengthen the control of the successor training mode from the technical point of view. There are three primary forms: One is to formulate family regulations. Family members should realize the equivalence of power and responsibility between the successor training and the family business. Second, establish a family committee. By disclosing to the public the selection criteria for family committees, the responsibility standards for family committees, and the operational standards for family committees, standardized management of the successor training model will be realized. Third, optimize the internal process reengineering of family businesses. In recent years, Alibaba and Haier have used intelligent means to improve the successor training model's quality and succession performance. However, compared with the international advanced corporates, the current governance of Chinese family businesses needs to be further improved.

4.3 Returning to the Essence: The Balance Between Tradition and Innovation

This paper introduces the importance and methods of descriptive statistics, analyzes the variable indicators of 15904 listed companies, and reflects enterprises' characteristics and operating conditions. The average ROA of the enterprises in the sample is 0.047, the average TobinQ value is 2.206, the average overseas experience is 0.616, the average enterprise size is 21.808, the average asset-liability ratio is 4.003, the average cash flow is 0.046, the average board size is 2.077, the average dual identity is 0.407, the average age of the senior management team is 48.393, the average audit of the four major accounting firms is 0.028, the average shareholding ratio of the largest shareholder is 32.525%, the average management cost ratio is 0.094, and the average book-to-market ratio is 0.572. To sum up, the companies in our sample are characterized not only by consistency and stability but also by diversity and heterogeneity. This may be related to various factors; the results are shown in Table 2.

Table 2. Descriptive statistics

Variable	Sample size	Mean	Standard deviation	Minimum value	Maximum value
ROA	15904	0.047	0.039	-0.269	0.232
TobinQ	15904	2.206	0.552	1.794	6.211
Oversea	15904	0.616	0.486	0.000	1.000
Size	15904	21.808	1.046	19.621	26.171
Lev	15904	4.003	3.377	1.048	19.924

Variable	Sample size	Mean	Standard deviation	Minimum value	Maximum value
Cashflow	15904	0.046	0.070	-0.185	0.247
Board	15904	2.077	0.187	1.609	2.639
Dual	15904	0.407	0.491	0.000	1.000
TMTAge	15904	48.393	3.132	41.270	56.670
Big4	15904	0.028	0.166	0.000	1.000
TOP1	15904	32.525	13.796	9.000	74.451
Mfee	15902	0.094	0.073	0.008	0.497
BM	15904	0.572	0.226	0.014	1.463

This paper proposes an innovative statistical framework for analyzing data characteristics. Taking market value, profitability, and overseas education choice as examples, we can see that market value harms overseas education choice. In contrast, profitability has no significant impact on it. These reflect the career opportunities and trust in domestic education for managers of high-value enterprises, as well as the short-term and long-term differences between profitability and overseas education choices.

Table 3. Logit model

Variable	(1) Oversea	(2) Oversea
ROA	-0.298(-0.589)	
TobinQ		-0.098**(-2.099)
Size	0.311***(13.279)	0.313***(13.393)
Lev	-0.000(-0.008)	-0.000(-0.067)
Cashflow	0.387(1.383)	0.355(1.303)
Board	0.957***(9.868)	0.950***(9.794)
Dual	0.003(0.089)	0.002(0.059)
TMTAge	-0.018***(-3.088)	-0.018***(-3.071)
Big4	0.798***(5.915)	0.802***(5.966)
TOP1	0.004***(3.346)	0.004***(3.287)
Mfee	2.315***(7.076)	2.408***(7.494)
BM	-0.843***(-8.099)	-1.006***(-7.765)
Constant	-7.725***(-13.259)	-7.479***(-12.581)
Industry Control	Yes	Yes
Year Control	Yes	Yes
Observations	15594	15594
Pseudo R2	0.047	0.047

Logit model is shown in Table 3. The regression results based on the above model show the relationship between corporate performance (ROA and TobinQ) and second-generation executives' participation and overseas education experience. We use the single-period DID model (column 1 ~ 2) and multi-period DID model (column 3 ~ 4). The single-period DID model only considers the impact of the participation of second-generation executives on corporate performance. In contrast, the multi-period DID model further considers whether the second-generation executives have the experience of studying abroad. The main findings are shown in Table 4:

Table 4. Regression results

Variable	(1)ROA	(2)TobinQ	(3)ROA	(4)TobinQ
Post	-0.002**(-2.596)	-0.042***(-8.076)	-0.000(-0.474)	-0.005(-0.576)
Oversea			0.000(0.158)	-0.002(-0.177)
Post_oversea			-0.002*(-1.819)	-0.058***(-4.651)
Size	0.003***(8.924)	0.032**(2.550)	0.003***(9.531)	0.033**(2.566)
Lev	0.002***(6.803)	0.003(1.494)	0.002***(6.805)	0.003(1.472)
Cashflow	0.138***(7.204)	0.137(1.514)	0.138***(7.204)	0.139(1.530)
Board	0.003**(2.628)	-0.063***(-4.700)	0.003**(2.668)	-0.060***(-4.010)
Dual	0.001***(3.359)	-0.013**(-2.373)	0.001***(3.403)	-0.012**(-2.336)
TMTAge	0.000(0.513)	0.002(1.452)	0.000(0.514)	0.002(1.429)
Big4	0.000(0.251)	0.026(1.775)	0.001(0.271)	0.027*(1.865)
TOP1	0.000***(5.382)	-0.000(-0.332)	0.000***(5.345)	-0.000(-0.325)
Mfee	-0.128***(-5.418)	0.541**(3.053)	-0.128***(-5.468)	0.550***(3.158)
BM	-0.024***(-10.128)	-1.755***(-14.377)	-0.024***(-10.296)	-1.758***(-14.481)
Constant	-0.024**(-2.456)	2.507***(9.124)	-0.025**(-2.568)	2.485***(8.899)
Industry Control	Yes	Yes	Yes	Yes
Year Control	Yes	Yes	Yes	Yes
Observations	15902	15902	15902	15902
R-squared	0.186	0.519	0.186	0.520

5   Conclusion

To sum up, this paper discusses the challenges and requirements in the new era of successor training modes in the family business. We put forward three training modes of technology-based industrial development strategies: a two-way migration strategy, a shared governance strategy, and the strategy of returning to essence. These models not only reflect the diversity and internal logic of family businesses but also use the advantages of modern information technology, such as artificial intelligence, to improve the quality and accuracy of training. The innovation and development of successor training modes in the family businesses will contribute to sustainable succession and improved performance of family businesses.

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