Dynastic Control Transitions and Corporate Philanthropy

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Abstract

We study whether prospective family succession shapes corporate philanthropy in Korean family business groups. Group-Succession firms increase charitable giving from an eventual heir's entry into a group affiliate through the heir's first executive promotion, with stronger effects near promotion. A theoretical framework predicts that giving mitigates legitimacy costs associated with prospective dynastic control, particularly when business groups face greater exposure to external social approval. Consistent with this prediction, the increase is concentrated in groups with greater social-approval exposure. Our findings identify prospective control transfer as a strategic determinant of corporate philanthropy and highlight an anticipatory, stakeholder-facing dimension of family succession.

Keywords: Family succession, Succession dynamics, Corporate Philanthropy, CSR, Stakeholder

JEL: G32, G34, L22, M14.

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Family firms are naturally concerned with transferring control across generations within the founding family. Much of the economics of family succession has therefore focused on the allocation of ownership, control, and managerial authority within the family. Yet, the consequences of such transfers can extend well beyond the controlling family. Large family-controlled business groups are embedded in a broad network of stakeholders—including minority shareholders, employees, customers, suppliers, and local communities—whose economic interests depend on the businesses under family control. Who will inherit control of a business empire such as Samsung, for example, is therefore not merely a private matter for the controlling family. It can also be a consequential event for a much broader set of stakeholders.

This observation points to a stakeholder-facing dimension of family succession that has received relatively little attention. A controlling family can transfer ownership and formal control to an heir, but it cannot mechanically transfer stakeholders' acceptance of that control. As a prospective heir becomes more visible, stakeholders may evaluate not only the heir's managerial ability but also the prospect of continued dynastic control. Such evaluations can have economic consequences: consumers can change their purchasing decisions, employees their willingness to remain with the firm, and other stakeholders their willingness to transact with or support businesses under family control. Family succession may therefore create an economic cost when prospective dynastic control is exposed to consequential external evaluation.

This raises a natural question: How do controlling families respond to the stakeholder-facing costs that arise as dynastic succession becomes salient? We argue that corporate philanthropy provides one potential response. Charitable giving is a visible corporate policy that can generate goodwill among external stakeholders without altering the underlying allocation of ownership or control. Its value may therefore rise during succession preparation, when the identity of the prospective family controller becomes increasingly salient and stakeholder reactions become more consequential. From this perspective, corporate philanthropy is not simply a manifestation of a firm's underlying social preferences; it can also represent an endogenous corporate response to the economic costs associated with prospective family control.

To this end, we extend the family-succession framework of Burkart et al. (2003) by introducing a stakeholder-facing cost of dynastic succession. When prospective family control becomes salient, adverse stakeholder evaluation can reduce firm value, creating an incentive for the controlling family to devote corporate resources to mitigating this cost. Corporate philanthropy serves as such an investment: the family chooses giving by trading off its direct resource cost against the resulting reduction in succession-related stakeholder costs. The model predicts that optimal giving increases with the firm's exposure to stakeholder evaluation. Importantly, we retain the role of ownership in the family-succession framework while allowing dispersed ownership to operate through an additional channel: by increasing the succession's exposure to external evaluation, greater

outside ownership can strengthen the incentive to use corporate giving to mitigate stakeholder costs.

We test these predictions using Korean family-controlled business groups, where dynastic succession provides a particularly useful setting for studying the stakeholder-facing consequences of control transfer. Korean business groups, or chaebols, consist of multiple legally distinct affiliates under common family control, so the identity of the controlling family can have economic consequences across a broad organizational and stakeholder network. Importantly, succession in these groups can involve group partition, whereby businesses originating from a common founding family are separated into independently controlled groups headed by different family branches. The Samsung founder family provides a prominent example: businesses originating from the family eventually developed into Samsung, CJ, Shinsegae, and Hansol, each controlled by a different family branch. We refer to succession associated with such partitions as Group Succession. Because Group Succession determines not only who assumes a managerial position but also which family branch ultimately controls a distinct set of businesses, it makes the identity of the prospective family controller particularly salient to external stakeholders.

Our empirical analysis exploits variation between Group-Succession (GS) business groups and other family-controlled business groups around the period in which an heir is prepared for leadership. We define the succession-preparation period as the interval from the heir's publicly reported entry into a group affiliate to the heir's first executive promotion. Entry marks the first observable organizational involvement of the eventual heir, while executive promotion represents a formal elevation into the group's managerial hierarchy. We examine whether corporate charitable giving changes during this preparation period and whether this change differs systematically between Group-Succession and other family business groups.

We find that corporate giving increases substantially during succession preparation among Group-Succession business groups relative to other family business groups. The coefficient on *Preparation*×*Group-Succession* captures the additional change in giving during the preparation period for Group-Succession firms relative to the contemporaneous change for Non-Group-Succession (Non-GS) firms. In specifications including firm-level controls and year and industry fixed effects, this difference-in-differences estimate is 0.691 over the full sample period ($p = 0.056$), 0.925 within the ±6-year window ($p = 0.025$), and 1.506 within the ±2-year window ($p = 0.021$). These estimates equal approximately 55 percent, 73 percent, and 119 percent of the sample mean of the dependent variable, respectively. Using the sample mean of total assets (KRW 3.77 trillion), the full-period estimate implies approximately KRW 2.6 billion (about US $2.6 million, using KRW 1,000 per U.S. dollar) in additional annual charitable giving. The more than twofold increase in the estimate from the full panel to the ±2-year window is consistent with the philanthropic response strengthening as prospective family control becomes more salient around the heir's executive pro-

motion. This pattern also survives stacked difference-in-differences specifications that help address staggered succession timing and cohort composition. The resulting estimates range from 0.489 to 0.597, corresponding to approximately 39 percent to 47 percent of the sample mean of the dependent variable, and remain statistically significant.

Because the matched stacks retain some observable imbalance, particularly in firm size, we complement this design with overlap-weighted regressions on the full firm-year sample. The reweighting brings mean differences in the six propensity-score covariates effectively to zero and improves broader distributional overlap, with the largest gains occurring in firm size and Tobin's Q. The preparation-period differential remains economically meaningful under overlap-weighted specification. Importantly, Group-Succession and other family firms exhibit no significant unconditional difference in average giving, suggesting that the results reflect a temporally concentrated response to succession preparation rather than persistent differences in philanthropic policy.

We next provide evidence on the economic channel underlying this increase in corporate giving. A natural alternative explanation is that succession-related philanthropy reflects an agency conflict between controlling families and minority shareholders. If controlling families use corporate resources to facilitate private family succession, their incentives to do so might be expected to depend on the fraction of the financial cost borne by outside shareholders. Our model, however, delivers a distinct interpretation of the role of outside ownership. Dispersed outside ownership matters not because it shifts the private cost of giving away from the controlling family, but because it exposes family succession to greater external scrutiny, raising the need for social approval. Thus, the model predicts stronger succession-related giving with greater outside ownership and, more generally, greater social-approval exposure. Consistent with this prediction, the estimated difference-in-differences effect—the additional change in giving during the preparation period for Group-Succession firms relative to Non-Group-Succession firms—is nearly twice as large among business groups with above-median minority ownership as among those with below-median minority ownership.

More directly, the philanthropic response increases with our standardized social-approval exposure index, which combines the extent to which a business group operates in consumer-facing industries (consumer sensitivity), the size of its affiliate network, and the prospective heir's age. The triple interaction among *Preparation*, *Group-Succession*, and *Social-approval exposure* is positive and statistically significant in the full-period specification and in the ±6- and ±2-year event-window specifications. Within the ±6-year window, a one-standard-deviation increase in social-approval exposure increases the estimated preparation-period effect by 1.021, an increment approximately 79 percent as large as the estimated effect at mean exposure (1.294).

The cumulative-exposure analyses reinforce this pattern. Starting from the above-median minority-ownership classification, we sequentially expand the High-exposure category to include

business groups with young heirs, greater exposure to consumer-facing industries, and large affiliate networks. After young-heir exposure is added, this estimated preparation-period differential is 1.119 for the High-exposure group ($p = 0.046$), indicating a substantial increase in giving among Group-Succession firms during preparation, whereas the corresponding estimate for the remaining Low-exposure group is small and statistically indistinguishable from zero (-0.212, $p = 0.576$). Thus, the positive preparation-period response is concentrated among business groups facing salient social-approval exposure. As high consumer sensitivity and a large affiliate network are subsequently added to the cumulative classification, the estimated response remains positive and statistically significant in the High-exposure group. Together, these findings are consistent with social-approval considerations playing an important role in succession-related corporate giving.

This paper makes three contributions. First, we broaden the economic scope of family succession by examining how the form of the family-control transition shapes its stakeholder-facing consequences. Prior research emphasizes factors within the controlling family that shape the transfer of family control, including whether management remains within the family or is delegated to professional managers (Burkart et al., 2003; Chang and Shim, 2015), family characteristics and conflicts among family members (Bertrand et al., 2008), and the selection among potential family successors (Bennedsen et al., 2007; Calabrò et al., 2018). Recent work begins to incorporate external stakeholders into the succession decision itself. Lee et al. (2025) show that stakeholder support and legitimacy affect a controlling family's ability to preserve family leadership. Related evidence shows that family control can also shape firms' relationships with external stakeholders (Bennedsen et al., 2019, 2025). In particular, Bennedsen et al. (2025) show that family control reduces firms' ability to attract high-ability employees, especially when family control is salient. We extend this stakeholder-facing perspective by showing that anticipated stakeholder responses to prospective family control can shape the controlling family's broader corporate decisions, and that these responses depend on the form of the family-control transition. In Group Succession, external stakeholders may evaluate not only the prospective successor but also the emerging family-control arrangement as a particular family branch becomes associated with control of a separately controlled business group. Anticipated stakeholder responses to this broader object of evaluation can, in turn, shape corporate policy before control formally changes hands. Our findings therefore extend the economic consequences of family succession beyond the allocation of control itself, showing that prospective family control can shape corporate policy through its interaction with external stakeholders.

Second, we contribute to the literature on the determinants of corporate philanthropy and corporate social responsibility (CSR) by identifying family succession as a distinct strategic incentive for corporate giving. Prior research links corporate philanthropy and CSR to agency conflicts, managerial preferences and characteristics, board relationships, and financial-reporting

incentives (Masulis and Reza, 2015; Cronqvist and Yu, 2017; Cai et al., 2021; Petrovits, 2006). In particular, Masulis and Reza (2015) provide evidence that corporate philanthropy can reflect agency conflicts, with managers using corporate resources to advance their private interests. We identify a different strategic motive for corporate giving: controlling families may use corporate resources philanthropically to manage stakeholder-facing concerns associated with prospective family control. This perspective casts corporate philanthropy not simply as a manifestation of managerial preferences or agency conflicts, but as a strategic instrument that can respond to changes in the expected allocation of control. Our findings therefore identify family succession as a distinct source of variation in corporate philanthropy and broaden our understanding of the incentives underlying corporate giving.

Third, we shift attention from corporate outcomes surrounding realized family succession to strategic behavior undertaken in anticipation of succession. Much of the existing literature examines outcomes around or following realized succession events, including performance, governance, investment, and financial policies (Pérez-González, 2006; Bennedsen et al., 2007; Tsoutsoura, 2015; Mehrotra et al., 2013; Chang and Shim, 2015; Ellul et al., 2010). Related to our stakeholder perspective, Chung and Luo (2013) show that the legitimacy of different successor types in the eyes of stakeholders affects post-succession firm performance. We shift attention to an earlier stage of the succession process by examining whether firms adjust corporate policy in anticipation of stakeholder evaluation before control formally changes hands. We find that corporate giving changes during the period between the heir's organizational entry and executive promotion, highlighting succession as an anticipatory, multiyear process whose economic consequences can begin before the formal transfer of control.

The remainder of the paper is organized as follows. Section I describes the institutional setting and the succession-preparation process in Korean family business groups. Section II develops the theoretical framework and derives the empirical predictions. Section III describes the data, sample construction, and key variables. Section IV presents the main empirical results and additional analyses. Section V concludes.

I. Institutional Setting and Related Literature

A. Family Business Groups and Group-Level Control

Large Korean business groups, commonly referred to as chaebols, consist of networks of legally separate firms under common control. Controlling families exercise influence over affiliated firms through direct and indirect ownership and pyramidal ownership chains (Almeida and Wolfenzon, 2006; Almeida et al., 2011). Prior research further documents that affiliated firms within business groups are economically interconnected through internal capital markets and

intragroup support (Gopalan et al., 2007; Jia et al., 2013; Almeida et al., 2015). Because family control extends across multiple affiliated firms, changes in the identity of the family controller can have implications beyond any single legal entity.

The Korea Fair Trade Commission (KFTC) formally recognizes this group-level organization of control. The KFTC defines a business group as a collection of firms whose business activities are effectively controlled by a common controlling person. In determining the scope of a business group, the KFTC considers both ownership and control relationships among affiliated firms. The controlling person is therefore conceptually distinct from the chairman or chief executive of a particular legal entity: the designation identifies the individual whom the KFTC regards as exercising ultimate influence over the business group as a whole.

This distinction is important for studying family succession. An heir may initially enter or assume a managerial position in one affiliate while the family's control is exercised through a broader network of affiliated firms. The relevant succession process can therefore extend beyond the legal entity in which the heir holds a formal position. These features make the business group, rather than the individual listed firm, the relevant organizational unit for studying dynastic succession in Korean chaebols.

B. Group Partition and the Allocation of Family Control

Dynastic succession in Korean business groups can involve group partition. When a founding family has multiple family branches, affiliated firms and ownership interests can be reorganized so that different branches independently control distinct business groups. The process may involve the division of affiliated firms, the transfer or disposal of cross-group equity interests, and the establishment of separate ownership and governance structures.

The KFTC provides a formal institutional framework for such separation. Under its affiliate-exclusion framework, firms can be removed from the business group controlled by the original controlling person when the relevant independence requirements are satisfied. Group partition therefore involves more than an internal reassignment of managerial responsibilities among family members. It results in the formal separation of businesses that were previously organized under common group control.

This feature distinguishes group partition from conventional intergenerational succession. A conventional succession primarily changes who manages or controls an existing organization. Group partition can additionally determine which branch of the founding family controls which businesses. The Samsung founder family provides a prominent example. Businesses originating from the Samsung founder family ultimately developed into Samsung, CJ, Shinsegae, and Hansol, each controlled by a different branch of the founding family. The Hyundai and LG founder families similarly gave rise to multiple independently controlled business groups. Thus, group succession

determines not only the identity of the next family leader but also the identity of the family branch that becomes the controller behind a distinct set of businesses. This broader reorganization of family control can make succession more consequential to external stakeholders than a conventional intergenerational transfer, as stakeholders must evaluate not only the incoming family leader but also the emerging control of a distinct business group by a particular family branch.

Figure 1 illustrates this distinction. In a single-heir intergenerational succession, control of an existing business group remains concentrated within one successor branch. Under group partition, by contrast, a common founder group gives rise to multiple independently controlled groups, with different family branches assuming control over different sets of businesses.

[Insert Figure 1 about here]

C. Succession Preparation and External Stakeholders

Family succession in Korean business groups generally unfolds over an extended period rather than through a single transfer-of-control event. Potential heirs often enter group affiliates relatively early in their careers and subsequently accumulate experience through managerial assignments, rotations across functions or affiliates, and increasing responsibility within the group. Entry into the business group therefore represents the beginning of an organizational process through which the controlling family can develop and evaluate a potential successor.

Initial entry does not, by itself, establish that a family member will ultimately assume group control. Multiple family members may work for group affiliates, and some may remain in nonexecutive or peripheral roles. Executive promotion marks a qualitatively different stage. It formally elevates the heir into the group's senior managerial hierarchy and assigns greater organizational authority to that individual. Entry and executive promotion therefore provide two economically distinct milestones in the succession process: entry begins the organizational preparation of a potential heir, whereas promotion makes the heir's movement toward senior leadership more concrete and salient.

Neither milestone should be equated with the eventual assumption of group-level control. The succession path of Lee Jae Yong, the eventual controlling person of the Samsung business group, illustrates this distinction. He entered Samsung in 1991 before being promoted to an executive position in 2003, while the KFTC subsequently designated him as the controlling person of the Samsung business group in 2018. His organizational entry, executive promotion, and designation as the group's controlling person therefore occurred at distinct points in time. Similar multistage succession paths characterize other Korean family business groups.

The interval between entry and executive promotion is particularly relevant for our setting because the prospective succession becomes increasingly observable while the heir is being prepared

for a larger organizational role. This process can be especially consequential in business groups associated with group partition. The prospective heir represents not only a potential manager but also a family branch that exercises, or may ultimately exercise, control over a distinct set of businesses. Relative to conventional intergenerational succession, this feature can broaden the scope of external evaluation: stakeholders may need to assess not only the incoming family leader but also the emergence of a particular family branch as the controller of a distinct business group.

This broader scope of external evaluation gives group succession a distinctive stakeholder-facing dimension. Because controlling families influence governance and strategic decisions across affiliated firms, the identity of the prospective family controller can matter to external stakeholders whose economic relationships extend beyond the appointment of a particular executive. These stakeholders need not possess formal approval rights over family succession for their reactions to matter economically. Consumers, employees, business partners, and other external audiences can respond to the identity and perceived suitability of the family controller behind the businesses with which they interact. Group succession can therefore expose not only the heir's managerial ability but dynastic control itself to external evaluation.

This institutional setting motivates our focus on corporate philanthropy. Unlike ownership transfers or governance arrangements, charitable giving does not determine how control is allocated across family branches. It is instead a visible corporate policy through which a business group can generate goodwill with external audiences as prospective dynastic control becomes more salient. Section II formalizes this stakeholder-facing dimension of succession by introducing a legitimacy cost associated with dynastic control and corporate giving as a costly policy that can mitigate that cost.

II. Theoretical Framework

We extend the family-succession framework of Burkart et al. (2003) by introducing a firm-level legitimacy cost associated with dynastic succession and a costly corporate policy—charitable giving—that can mitigate this cost. We retain the baseline role of ownership in the family-succession problem while allowing dispersed ownership to operate through an additional stakeholder-facing channel.

The baseline family-succession trade-off is between the superior managerial ability of a professional manager and the private amenity that the controlling family derives from preserving family control. Our extension adds a stakeholder-facing dimension. When a family heir is being prepared to assume control, the prospective succession may expose the firm to legitimacy and reputational costs. The controlling family can respond by increasing corporate giving during the succession-preparation period.

Importantly, the model does not attempt to explain the firm's entire level of corporate philanthropy. Firms may engage in charitable giving for many reasons unrelated to succession. Instead, the model isolates the incremental component of giving induced by succession preparation.

A. Observed and Succession-Induced Giving

Let D_t denote the firm's total observed corporate giving in period t. We decompose total giving as

$$D_t = \bar{D}_t + g_t, \tag{1}$$

where $\bar{D}_t \geq 0$ denotes baseline corporate giving unrelated to succession, and $g_t \geq 0$ denotes incremental strategic giving induced by succession preparation.

The model takes $\bar{D}_t$ as given and focuses on the endogenous choice of g_t. Thus, $g_t = 0$ outside the succession-preparation period does not imply that the firm makes no charitable contributions. Rather, it means that there is no additional giving induced by the succession motive.

B. Succession Choice

A controlling family retains an equity stake $\alpha \in (0, 1]$, while dispersed minority shareholders collectively hold the remaining share $m \equiv 1 - \alpha$.

The family ultimately chooses between two types of successors: $S \in \{F, P\}$, where F denotes a focal family-heir candidate and P denotes a professional manager. The focal heir candidate becomes publicly observable during the preparation period, while executive promotion represents a formal step toward a larger managerial role and makes the prospective succession path more salient.

Let E_F and E_P denote the pecuniary firm values generated under family and professional management, respectively.

Following Burkart et al. (2003), we assume that the professional manager is more capable of generating pecuniary value, consistent with evidence that transitions to professional management can improve firm performance (Chang and Shim, 2015).

Assumption 1 (Managerial advantage)**.** *The professional manager has a managerial advantage,* $\phi \equiv E_P - E_F > 0$.

The controlling family, however, receives an amenity potential $AP > 0$ when control remains with the family. Following Demsetz and Lehn (1985), we use amenity potential to capture the nonpecuniary private benefits associated with retaining control.[1] In our setting, AP broadly

[1] Demsetz and Lehn (1985) emphasize that control can generate nonpecuniary benefits that are not reflected directly in firm profits. In the context of family firms, such benefits provide one reason why controlling families may value the preservation of family control even when inherited management does not maximize pecuniary firm value.

captures the value that the controlling family derives from preserving dynastic control, family identity, and continuity across generations.

C. Social-Approval Exposure and Legitimacy Cost

Family succession may create a firm-level legitimacy or reputational cost. Such costs can arise because dynastic succession is evaluated by outside stakeholders whose reactions can affect firm value. The economic consequences of these reactions need not be uniform across firms. They may depend on the firm's exposure to consumers and other external stakeholders, the organizational breadth of the business group, characteristics of the prospective successor, and the extent of outside ownership.

Let x denote a vector of non-ownership characteristics that shape the firm's exposure to external social approval. These characteristics capture dimensions along which a prospective family succession may attract greater external scrutiny or make stakeholder reactions more consequential for firm value.

Let $m = 1 - \alpha$ denote dispersed minority ownership. We allow social-approval exposure to depend on both non-ownership characteristics and outside ownership:

$$z = z(x, m) \geq 0. \tag{2}$$

A larger z means that the prospective family succession is more exposed to external scrutiny and that a given legitimacy deficit has larger firm-value consequences.

We assume that greater exposure along the relevant non-ownership dimensions increases social-approval exposure. We also allow dispersed minority ownership to increase social-approval exposure:

$$\frac{\partial z(x, m)}{\partial m} \geq 0. \tag{3}$$

The latter condition captures the idea that, when a larger share of the firm's cash-flow rights is held outside the controlling family, the prospective transfer of control affects a broader set of outside investors and may therefore expose the succession process to greater external scrutiny. This condition introduces an additional role for ownership in the family-succession problem. In addition to its conventional role in the governance of delegated management, dispersed ownership may expose prospective family succession to a broader set of outside investors and thereby increase external scrutiny. Importantly, dispersed ownership is not necessary for social-approval exposure. Even when $m = 0$, a prospective family succession may face external scrutiny through the non-ownership dimensions captured by x. Minority ownership therefore provides an additional source of stakeholder exposure rather than a necessary condition for it.

Let $s_t \in \{0, 1\}$ denote succession salience, where $s_t = 1$ during the succession-preparation period and $s_t = 0$ otherwise. The preparation period precedes the focal heir's formal executive promotion. During this period, the prospective family-succession path becomes salient to outside stakeholders, and the family can undertake incremental giving to mitigate the legitimacy cost associated with that prospective transfer of control.

Conditional on family succession, the legitimacy cost is

$$L(g_t, z; s_t) = s_t z \ell(g_t), \tag{4}$$

where $\ell(g_t)$ denotes the residual legitimacy vulnerability that remains after the firm undertakes incremental succession-related giving g_t.

We impose the following properties.

Assumption 2 (Legitimacy technology)**.** *For all $g \geq 0$,*

$$\ell(g) > 0, \qquad \ell'(g) < 0, \qquad \ell''(g) > 0, \qquad \lim_{g \to \infty} \ell'(g) = 0. \tag{5}$$

The condition $\ell'(g) < 0$ means that additional giving reduces the residual legitimacy vulnerability associated with family succession. The condition $\ell''(g) > 0$ captures diminishing marginal effectiveness: the legitimacy benefit of an additional unit of giving becomes smaller as succession-related giving increases.

The multiplicative specification also implies

$$\frac{\partial^2 L}{\partial g \, \partial z} = s_t \ell'(g) < 0 \tag{6}$$

during the succession-preparation period. Thus, the marginal legitimacy benefit of giving is greater when social-approval exposure is higher.

D. Cost of Succession-Induced Giving

The incremental giving g_t has a direct pecuniary cost βg_t, where $\beta > 0$ is the marginal cost of succession-induced giving.

Because g_t is defined as incremental giving relative to the baseline $\bar{D}_t$, the term βg_t captures only the additional cost associated with the succession motive. Any cost associated with baseline giving $\bar{D}_t$ is common to the relevant succession comparison and is therefore suppressed from the model.

E. Firm Value and Shareholder Welfare

If a professional manager is chosen, ownership and management are separated. Following Burkart et al. (2003), professional management combines the professional manager's superior managerial ability with potential firm-value losses arising from delegated management. We summarize the resulting governance loss by $G(\alpha;\theta) \geq 0$, where θ denotes the governance environment. The function $G(\alpha;\theta)$ captures, in reduced form, the value loss associated with managerial discretion and imperfect monitoring under professional management. Consistent with Burkart et al. (2003), this governance loss may depend on the controlling family's retained ownership stake α, which affects its incentives to monitor delegated management. We leave the net dependence of $G(\alpha;\theta)$ on α unrestricted. In Burkart et al. (2003), retained ownership affects delegated management through endogenous monitoring and related agency trade-offs. Our analysis preserves this ownership-dependent governance channel in reduced form while focusing its comparative statics on the additional stakeholder-exposure channel introduced below.

Firm value under professional succession is therefore

$$V_P(\alpha;\theta) = E_P - G(\alpha;\theta). \tag{7}$$

The controlling family and dispersed minority shareholders receive their respective shares of this firm value. Their welfare under professional succession is

$$\pi_P(\alpha;\theta) = \alpha V_P(\alpha;\theta) = \alpha \left[E_P - G(\alpha;\theta)\right], \tag{8}$$

$$\Omega_P(\alpha;\theta) = mV_P(\alpha;\theta) = m \left[E_P - G(\alpha;\theta)\right]. \tag{9}$$

For parsimony, the baseline model assumes that the family-succession-specific legitimacy cost does not arise under professional succession.

If the family heir is chosen, firm value is

$$V_F(g_t, x, m; s_t) = E_F - \beta g_t - s_t z(x,m)\ell(g_t). \tag{10}$$

The controlling family receives its share of firm value together with the nonpecuniary amenity potential from preserving family control:

$$\pi_F(g_t, x, m; s_t) = \alpha V_F(g_t, x, m; s_t) + AP. \tag{11}$$

Dispersed minority shareholders receive their proportional share of firm value:

$$\Omega_F(g_t, x, m; s_t) = mV_F(g_t, x, m; s_t). \tag{12}$$

Thus, the controlling family and minority shareholders share proportionally in the firm-value consequences of both governance and succession-related stakeholder costs. The family differs from minority shareholders, however, because it additionally derives the private amenity AP from preserving family control. This distinction allows their preferences to coincide over policies that maximize firm value, such as the optimal level of succession-induced giving, while their preferences over the identity of the successor need not coincide.

The baseline giving component $\bar{D}_t$ does not appear explicitly because it is not determined by succession in the model and does not vary with the succession-related choice g_t.

F. Optimal Giving Conditional on Family Succession

We first solve for the optimal amount of incremental giving conditional on family succession. The controlling family chooses g_t to solve

$$\max_{g_t \geq 0} \ \alpha \left[E_F - \beta g_t - s_t z(x, m) \ell(g_t) \right] + AP. \tag{13}$$

Because E_F, AP, and α do not vary with g_t, the problem is equivalent to

$$\min_{g_t \geq 0} \left\{ \beta g_t + s_t z(x, m) \ell(g_t) \right\}. \tag{14}$$

For notational simplicity, let $z = z(x, m)$ and define the minimized succession-related legitimacy-management cost as

$$C(s_t, z) \equiv \min_{g_t \geq 0} \left\{ \beta g_t + s_t z \ell(g_t) \right\}. \tag{15}$$

Lemma 1 (Optimal succession-induced giving)**.** *If $\beta + s_t z \ell'(0) \geq 0$, the optimal incremental giving is $g_t^* = 0$. If $\beta + s_t z \ell'(0) < 0$, there exists a unique interior solution satisfying*

$$-s_t z \ell'(g_t^*) = \beta. \tag{16}$$

Equation (16) equates the marginal legitimacy benefit of an additional unit of succession-induced giving with its marginal pecuniary cost. The family increases giving until the marginal reduction in the firm-level legitimacy loss equals β.

When $s_t = 0$, the succession-specific legitimacy motive is absent and $g_t^* = 0$. Observed giving can nevertheless remain positive because $D_t = \bar{D}_t + g_t^* = \bar{D}_t$.

During succession preparation, $s_t = 1$, and a positive g_t^* can arise when the marginal legitimacy benefit at zero giving exceeds its marginal cost.

Because succession-induced giving affects firm value, dispersed minority shareholders share in both its resource cost and its benefit from reducing the legitimacy loss. Conditional on family succession, their welfare is

$$\Omega_F(g_t, x, m; s_t) = m\left[E_F - \beta g_t - s_t z(x, m)\ell(g_t)\right]. \tag{17}$$

For $m > 0$, maximizing minority-shareholder welfare with respect to g_t is therefore also equivalent to

$$\min_{g_t \geq 0} \left\{\beta g_t + s_t z(x, m)\ell(g_t)\right\}. \tag{18}$$

Corollary 1 (Alignment over succession-induced giving)**.** *Conditional on family succession and for $m > 0$, the controlling family and dispersed minority shareholders prefer the same level of succession-induced giving, g_t^*.*

The alignment follows because the controlling family and minority shareholders share proportionally in the firm-value consequences of succession-induced giving. The private amenity AP affects the controlling family's preference over family control but does not affect its optimal choice of g_t. Thus, conditional on family succession, the controlling family and minority shareholders have aligned preferences over the amount of giving used to manage the succession-related stakeholder cost. This alignment concerns the choice of giving conditional on family succession; whether their preferences over the successor itself coincide is considered below.

Proposition 1 (Social approval and succession-induced giving)**.** *For an interior solution during the succession-preparation period,*

$$\frac{\partial g_t^*}{\partial z} = -\frac{\ell'(g_t^*)}{z\ell''(g_t^*)} > 0. \tag{19}$$

Moreover,

$$\frac{\partial g_t^*}{\partial \beta} = -\frac{1}{z\ell''(g_t^*)} < 0. \tag{20}$$

Thus, succession-induced giving increases with social-approval exposure and decreases with the marginal cost of giving.

Using the decomposition in Equation (1), $D_t = \bar{D}_t + g_t^*$ at the optimal giving choice. Holding baseline giving fixed, Proposition 1 also implies

$$\frac{\partial D_t}{\partial z} = \frac{\partial g_t^*}{\partial z} > 0 \tag{21}$$

during the succession-preparation period.

Because dispersed minority ownership can contribute to social-approval exposure, the model also yields

$$\frac{\partial g_t^*}{\partial m} = \frac{\partial g_t^*}{\partial z}\frac{\partial z}{\partial m} \geq 0. \tag{22}$$

Thus, greater minority ownership can strengthen the preparation-period giving response through an additional stakeholder-exposure channel: insofar as dispersed ownership increases the prospective succession's exposure to external evaluation, it increases the controlling family's incentive to use corporate giving to mitigate succession-related stakeholder costs.

G. Family Heir versus Professional Manager

We now characterize the controlling family's expected payoff from pursuing the focal family-heir path relative to appointing a professional manager. Conditional on pursuing the family-succession path, the family anticipates the optimal legitimacy-management response during the preparation period, while the heir's subsequent executive promotion formalizes the succession path.

Anticipating the optimal succession-induced giving choice, firm value under family succession is

$$V_F^*(x, m) = E_F - C\big(1, z(x, m)\big), \tag{23}$$

and the controlling family's corresponding payoff is

$$\pi_F^*(x, m) = \alpha V_F^*(x, m) + AP = \alpha\left[E_F - C\big(1, z(x, m)\big)\right] + AP. \tag{24}$$

Under professional succession, firm value remains $V_P(\alpha; \theta) = E_P - G(\alpha; \theta)$, as defined in Equation (7). The controlling family's corresponding payoff is $\pi_P(\alpha; \theta) = \alpha[E_P - G(\alpha; \theta)]$, as defined in Equation (8). The controlling family prefers the family-succession path when $\pi_F^*(x, m) \geq \pi_P(\alpha; \theta)$.

Using the definition $\phi = E_P - E_F$ from Assumption 1, the family-succession condition becomes

$$AP \geq \alpha\left[\phi + C\big(1, z(x, m)\big) - G(\alpha; \theta)\right]. \tag{25}$$

Thus, the family-succession decision reflects the baseline trade-off emphasized by Burkart et al. (2003), augmented by the stakeholder-facing cost introduced in our extension. The professional manager offers a productivity advantage, but delegated management entails governance losses. Family succession preserves the private amenity from family control and avoids these delegated-management losses, while exposing the firm to succession-specific stakeholder costs that can be partially mitigated through corporate giving.

The corresponding comparison for dispersed minority shareholders differs because they do

not receive the private amenity AP. Their welfare under family succession is

$$\Omega_F^*(x,m) = m\left[E_F - C\big(1, z(x,m)\big)\right], \tag{26}$$

whereas under professional succession their welfare is given by Equation (9). For $m > 0$, minority shareholders weakly prefer family succession with optimal giving when

$$G(\alpha;\theta) \geq \phi + C\big(1, z(x,m)\big). \tag{27}$$

To clarify the role of corporate giving in this comparison, consider the counterfactual in which no succession-induced giving is available. In that case, the stakeholder-related cost of family succession is $z\ell(0)$, and minority shareholders weakly prefer family succession only if

$$G(\alpha;\theta) \geq \phi + z\ell(0). \tag{28}$$

Because zero giving is feasible in the family's optimization problem,

$$C(1,z) = \min_{g\geq 0}\{\beta g + z\ell(g)\} \leq z\ell(0). \tag{29}$$

Thus, the availability of optimal succession-induced giving weakly lowers the stakeholder-related cost of family succession and therefore weakly lowers the threshold governance loss under professional management at which minority shareholders are willing to support family succession.

Corollary 2 (Succession-choice alignment through giving)**.** *Suppose that $m > 0$, the optimal succession-induced giving response is positive, $g_t^* > 0$, and*

$$\phi + C(1,z) < G(\alpha;\theta) < \phi + z\ell(0). \tag{30}$$

Then minority shareholders strictly prefer professional succession in the absence of succession-induced giving but strictly prefer family succession when the optimal giving response g_t^* is available.

In this region, corporate giving changes the minority shareholders' preferred succession outcome. Without succession-induced giving, the professional manager's net firm-value advantage dominates. Optimal giving reduces the stakeholder-related cost of family succession sufficiently for minority shareholders to prefer the family heir.

Moreover, because $G(\alpha;\theta) > \phi + C(1,z)$ in this region, family succession with optimal giving generates greater firm value than professional succession. Since the controlling family additionally receives the private amenity $AP > 0$, it also strictly prefers family succession. Hence, (F, g_t^*) constitutes an incentive-aligned succession outcome for both the controlling family and

minority shareholders.

Proposition 2 (Legitimacy exposure and the cost of family succession)**.** *At points where $C(1, z)$ is differentiable,*

$$\frac{\partial C(1,z)}{\partial z} = \ell(g_t^*) > 0. \tag{31}$$

Hence, greater social-approval exposure increases the anticipated minimum economic cost associated with family succession, even after accounting for the optimal corporate-giving response.

The model generates several predictions and implications that guide the empirical analysis. First, when the family pursues the focal family-heir candidate, succession preparation creates incremental giving without requiring total corporate philanthropy to be zero outside that period. Second, and central to the stakeholder-facing mechanism, the preparation-induced increase in giving is stronger when social-approval exposure is greater. Third, conditional on family succession, the controlling family and minority shareholders prefer the same optimal level of succession-induced giving. Moreover, for a range of governance and stakeholder-exposure conditions, optimal giving can change minority shareholders' preferred succession outcome from professional to family management, so that (F, g_t^*) becomes an incentive-aligned succession outcome. Finally, dispersed minority ownership can strengthen the preparation-period giving response through an additional stakeholder-exposure channel: to the extent that greater outside ownership increases the prospective succession's exposure to external evaluation, succession-induced giving increases with minority ownership.

III. Data and Variables

A. Sample Construction and Group Succession

Our sample consists of firm-year observations for companies listed on the Korean Stock Exchange (KOSPI), including subsequently delisted firms, from 1984 to 2020. We begin with KOSPI-listed firms affiliated with business groups designated as *large business groups* by the Korea Fair Trade Commission (KFTC). Since 2001, the KFTC has annually designated these groups based on total group assets. For earlier years, we follow Joh (2003) and identify the 30 largest business groups by total assets.

The full sample contains 6,839 firm-year observations for 360 unique listed firms affiliated with 98 large business groups, of which 77 are family-controlled and 21 are non-family groups. The family-firm subsample consists of 6,239 firm-year observations from the 77 family-controlled business groups. Our main succession analysis further restricts this sample to 4,091 firm-year observations from 36 family-controlled business groups for which we can publicly verify the relevant heir's entry year.

Our main cross-sectional classification is *Group-Succession*, an indicator equal to one for business groups that experienced a formal family group partition or were created through such a partition, and zero for other family-controlled business groups. As discussed in Section I, group partition separates businesses originating from a common founder family into independently controlled business groups headed by different family branches.

Table 1 reports the 24 Group-Succession family business groups for which we can publicly verify the relevant heir's entry and first executive-promotion dates, organized by founder cluster.[2] For each reported group, the table shows the sequence of controlling family members and, where applicable, the next-generation family member who has entered a business-group affiliate as a potential successor but has not yet assumed group-level control.

[Insert Table 1 about here]

B. Succession Events and the Preparation Period

We identify two succession milestones for each heir using archived Korean business press coverage. *Heir Entry* is the first year in which contemporaneous media coverage reports that the heir joined an affiliate of the business group. We identify the entry year using articles that explicitly associate the heir with employment or organizational activity within a group affiliate.

Heir Promotion is the first year in which contemporaneous media coverage reports that the heir was promoted to an executive position in any affiliate of the business group. We include both registered and non-registered executive positions.[3] Positions such as vice president, president, and vice chairman are classified as executive positions even when the individual is not a registered member of an affiliate's board.

We manually identify these dates using archived Korean media coverage. We search the Naver and Google news portals using combinations of the business-group name, the heir's name, and Korean keywords related to employment and executive promotion. We verify the resulting dates against contemporaneous reports from established Korean news organizations, including the *Maeil Business Newspaper, the Korea Economic Daily, the Chosun Ilbo, and the Dong-A Ilbo*. We focus on major business newspapers with extensive coverage of large business groups and executive

[2] Five additional Group-Succession business groups—HL (Halla), Hanjin Heavy, HMM, Hyundai Oil, and Taihan—satisfy the group-partition classification and are therefore retained in the full-family-firm specifications. However, we could not verify the required heir-level dates for these groups from contemporaneous public sources. We therefore exclude them only from specifications that require succession timing, rather than from the full-sample Group-Succession classification.

[3] Our measure captures entry into an executive managerial role, not the distinct legal event of board appointment. For example, Chung Eui Sun entered Hyundai Motors as a marketing director in 1999 but became a registered director of Hyundai Motors only in 2010. Restricting the measure to registered directors would therefore omit an earlier, observable period of executive advancement and instead capture a later board-appointment milestone.

personnel changes and, importantly, with publication histories extending back to the beginning of our sample period in 1984.

We define the *Preparation* period as the interval from Heir Entry through Heir Promotion. Accordingly, $Preparation_{i,t}$ equals one when year t falls within this interval for the relevant business group and zero otherwise. Because succession is defined at the business-group level, all sample firms affiliated with the same business group are assigned the same Heir Entry, Heir Promotion, and Preparation dates for a given succession episode.

C. Corporate Giving and Firm Characteristics

Our main outcome variable is corporate charitable giving. Following Masulis and Reza (2015), we scale annual corporate donations by total assets and construct $10^3 \times \ln(1+\text{Donation}/\text{Assets})$. The logarithmic transformation reduces the influence of large donation observations while retaining firm-years with zero reported donations. Throughout the paper, Ln(Donation/Assets) denotes this transformed measure.

Table 2 presents univariate comparisons of corporate giving across firm types. Family firms exhibit significantly lower corporate giving than non-family firms. Among family firms, however, average giving does not differ significantly between Group-Succession and Non-Group-Succession business groups. This latter pattern suggests that Group-Succession firms are not unconditionally characterized by higher levels of corporate giving, providing useful descriptive context for our subsequent analysis of changes in giving during succession-preparation periods.

[Insert Table 2 about here]

We obtain firm financial information from TS2000.[4] Following the corporate philanthropy and governance literatures (e.g., Masulis and Reza, 2015; Petrovits, 2006), we control for firm size, profitability, growth opportunities, leverage, firm age, and business-group size. Firm size is the natural logarithm of total assets; ROA is operating income before depreciation divided by total assets; Tobin's Q captures growth opportunities; leverage is total debt scaled by total assets; and firm age is the logarithm of the number of years since establishment. We measure business-group size by the number of affiliated firms. All firm-level controls are lagged by one year, and continuous variables are winsorized at the 1st and 99th percentiles. Detailed variable definitions are reported in Appendix Table A4.

Table 3 compares descriptive statistics for the full family-firm sample and the succession-analysis sample. Corporate giving and several key firm characteristics are broadly similar across

[4]TS2000 underwent a major database restructuring in 2024, which affected the availability and comparability of historical data series. This restructuring limits our ability to extend the sample consistently beyond the current sample period.

the two samples. Our main analysis uses the succession-analysis sample because identifying the *Preparation* period requires information on the relevant heir's succession timing. In this sample, Group-Succession business groups account for 67% of firm-year observations, while 20% of observations fall within succession-preparation periods.

[Insert Table 3 about here]

D. Minority Ownership and Social-Approval Exposure Measures

We construct two business-group-level measures for the cross-sectional tests: minority-shareholder exposure and social-approval exposure.

We measure minority-shareholder exposure using individual minority ownership.[5] We aggregate the firm-year minority-ownership measure to the business-group level by averaging across each group's non-preparation firm-year observations and classify groups as having high or low minority ownership relative to the cross-sectional median.

Our social-approval exposure index captures three conditions under which a succession episode is likely to be more visible to, and evaluated by, external stakeholders: exposure to final consumers, organizational scope, and the heir's need to establish legitimacy. First, we construct a consumer-sensitivity measure. Following Lev et al. (2010), who emphasize that corporate social responsibility is especially consequential for customer perceptions and purchase or usage intentions in consumer-facing and financial industries, we classify financial industries and industries producing consumer-facing products or services as consumer-sensitive (= 1), and industries serving primarily business or government demand as non-consumer-sensitive (= 0). We average this indicator across each business group's non-preparation firm-year observations. This measure captures the extent to which the group's operations are exposed to evaluations by the general public.

Second, we use the number of affiliates to capture organizational scope. A larger business group has a broader stakeholder footprint—including more employees, customers, counterparties, and local communities—and its succession process is therefore more likely to attract external attention and to generate reputational consequences across multiple affiliated firms.

Third, we use the heir's age at the preparation anchor. We reverse its sign so that a younger heir receives a larger value. A younger prospective successor is likely to have had less time to

[5] TS2000 separately reports aggregate minority ownership and its individual and corporate components through 2008. Beginning in 2009, however, both components are systematically recorded as zero despite continued reporting of nonzero aggregate ownership. We therefore use aggregate ownership as a proxy when the individual component is unavailable. Differences in levels between the two measures are less consequential for our analysis because we use minority ownership to capture relative exposure across business groups rather than its cardinal level. Consistent with this approach, individual and aggregate minority ownership are strongly positively correlated prior to the reporting discontinuity (Pearson $r = 0.754$ during 1998–2008).

accumulate managerial experience and personal legitimacy, increasing the value of actions that cultivate external goodwill during the preparation period.

We combine these three components into an episode-level social-approval exposure index as follows:

$$S_{ge} = \frac{z(\text{ConsumerSensitivity}_g) + z(\text{Affiliates}_g) + z(-\text{HeirAge}_{ge})}{3}. \tag{32}$$

where $z(\cdot)$ denotes standardization to mean zero and unit standard deviation. We then average S_{ge} across succession episodes within each business group:

$$S_g = \frac{1}{E_g} \sum_{e=1}^{E_g} S_{ge}. \tag{33}$$

For the continuous specifications, we re-standardize S_g to mean zero and unit standard deviation. Thus, higher values of the index indicate that a business group's succession is more likely to be publicly salient and that the prospective heir has stronger incentives to build social approval through visible corporate giving.

IV. Main Results

A. Succession Preparation and Corporate Giving

We now turn to our main empirical analysis, examining whether corporate giving changes while an eventual heir is prepared for entry into the executive hierarchy. Our main tests compare this change between Group-Succession and Non-Group-Succession family business groups. The coefficient on *Preparation* × *Group-Succession* therefore captures the incremental change in giving during the preparation period among Group-Succession firms, relative to the contemporaneous change among other family firms.

1. Baseline Difference-in-Differences Estimates Table 4 presents the main difference-in-differences estimates. Panel A shows that the preparation-period differential is economically meaningful over the full sample period. In columns (1)–(3), the coefficient on *Preparation* × *Group-Succession* ranges from 0.642 to 0.691. Thus, the positive interaction reflects an additional philanthropic response associated with Group Succession during succession preparation, relative to the contemporaneous change among Non-Group-Succession firms. In column (3), the coefficient of 0.691 corresponds to approximately 55% of the sample mean of the dependent variable. To provide a sense of the magnitude in monetary terms, applying the estimate to a firm with total assets

equal to the sample mean of KRW 3.77 trillion implies approximately KRW 2.6 billion (about US $2.6 million, using KRW 1,000 per U.S. dollar) in additional annual charitable giving.

The estimates become larger when the sample is concentrated around the heir's first executive promotion. In the specifications with firm-level controls, the coefficient increases to 0.925 within the ±6-year window and to 1.506 within the ±2-year window. These estimates correspond to approximately 73% and 119% of the sample mean of the dependent variable, respectively. Thus, the economic magnitude of the differential more than doubles when the analysis moves from the full panel to the period immediately surrounding executive promotion. This pattern is informative because Table 2 shows no unconditional difference in average giving between Group-Succession and Non-Group-Succession firms. The results are therefore more consistent with a temporally concentrated change during the succession-preparation period than with a time-invariant difference in philanthropic policy.

[Insert Table 4 about here]

Figure 2 provides complementary descriptive evidence. Relative to their respective post-promotion averages, Group-Succession firms exhibit higher giving during the years preceding executive promotion, whereas the gap becomes substantially smaller after promotion. The figure is consistent with the regression evidence that the differential is concentrated before, rather than persisting after, the heir's formal elevation into the executive hierarchy.

[Insert Figure 2 about here]

2. Stacked Difference-in-Differences Estimates We next address the possibility that the baseline panel estimates in Panel A of Table 4 reflect differences in the timing or composition of succession cohorts. We construct event-specific stacks and, within each stack, pair each treated firm with the nearest eligible Non-Group-Succession control firm based on pre-period firm characteristics. The stacked regressions include firm-by-stack fixed effects, which absorb time-invariant differences across firms within each matched stack. Because a control firm may be matched to more than one treated firm and observations within a business group may be correlated, we cluster inference at the business-group level.

In Panel B, columns (4) and (5) report the stacked estimates. The coefficient on *Preparation*× *Group-Succession* is 0.489 with firm-by-stack and event-time-by-stack fixed effects and 0.597 with firm-by-stack and common event-time fixed effects, indicating an additional preparation-period philanthropic response among Group-Succession firms relative to matched Non-Group-Succession firms within succession cohorts. These estimates correspond to approximately 39% and 47% of the sample mean of the dependent variable, respectively. The smaller stacked estimates indicate that

the magnitude of the preparation-period differential is attenuated after accounting more explicitly for succession timing and cohort composition. Importantly, however, an economically meaningful preparation-period differential remains when treated firms are compared with matched controls within succession cohorts and under alternative event-time fixed-effect structures.

Appendix Table A1 reports covariate balance in the matched stacked sample. Following stacked difference-in-differences designs for staggered treatment timing (Goodman-Bacon, 2021; Baker et al., 2022; Kim et al., 2025), we construct event-specific cohorts based on executive-promotion timing and match each treated firm to the nearest eligible control firm using the Mahalanobis distance in four pre-period covariates—log assets, ROA, leverage, and Tobin's Q—measured over the pre-preparation base window from $\tau = -12$ through $\tau = -7$. Consistent with this design, profitability, leverage, and Tobin's Q are broadly comparable across the matched samples, although treated firms remain larger on average and some event-time-specific standardized differences remain nontrivial.

The stacked design identifies the preparation-period differential from changes within matched succession cohorts: firm-by-stack fixed effects absorb time-invariant differences between treated and control firms, while the reported specifications additionally control for observed time-varying firm characteristics. Nevertheless, the residual imbalance—particularly in firm size—cautions against interpreting timing-based matching alone as fully resolving observable compositional differences. We therefore complement the stacked analysis with overlap-weighted regressions in Table 5 (Li et al., 2018; Kim et al., 2025). Whereas the stacked design addresses differences in succession timing and cohort composition, the overlap-weighted analysis provides a distinct robustness test that reweights the firm-year sample toward observations with more comparable observable characteristics. As discussed below, this procedure eliminates the remaining mean difference in firm size and substantially reduces, although does not eliminate, the broader distributional difference in firm size.

Taken together, Table 4 indicates that the preparation-period differential is not driven solely by differences in succession timing or cohort composition and becomes more pronounced as the analysis is localized around the heir's transition into the executive hierarchy.

3. Overlap-weighted Estimates The residual covariate differences in the stacked sample motivate a complementary test of whether the results are sensitive to observable differences between Group-Succession and Non-Group-Succession firms. We implement overlap weighting following Li et al. (2018). Propensity scores are estimated at the firm-year level using lagged firm size, Tobin's Q, leverage, profitability, firm age, and the number of affiliated firms. For Group-Succession observations, the overlap weight equals one minus the estimated propensity score; for Non-Group-Succession observations, it equals the estimated propensity score. Thus, observations

with covariate profiles that provide little empirical overlap between the two groups receive less weight, while observations in regions of greater common support receive more weight.

Panel B of Table 5 reports balance diagnostics before and after weighting. Before weighting, the standardized mean differences (SMDs) are 0.309 for log assets, 0.247 for Tobin's Q, and 0.394 for the number of affiliates, whereas leverage, profitability, and firm age are already relatively well balanced. After weighting, the SMDs of all six covariates included in the propensity-score model are effectively zero. The mean absolute SMD across the six covariates consequently declines from 0.171 to effectively zero.

[Insert Table 5 about here]

Because mean balance need not imply similarity in the broader covariate distributions, Panel B also reports expected absolute density deviation (EADD). The improvement is particularly pronounced for firm size, the principal dimension of residual imbalance in the stacked analysis: EADD for log assets declines from 9.063 to 4.062, a reduction of approximately 55%. Tobin's Q exhibits a similarly large proportional improvement, with EADD declining from 0.316 to 0.148. Distributional differences also narrow for firm age and the number of affiliates, although the improvement is more modest for these characteristics. Leverage and profitability, which were already relatively well balanced before weighting, show little change. Overall, these diagnostics indicate that overlap weighting eliminates mean differences in the propensity-score covariates and improves broader distributional comparability, with the largest gains occurring in firm size and Tobin's Q.

Figure 3 provides a visual counterpart to these diagnostics. Consistent with Panel B, the most visible improvement occurs in firm size: the rightward shift of the Group-Succession distribution before weighting is substantially reduced after weighting. The distributions of Tobin's Q also become more closely aligned. Leverage, ROA, and firm age already exhibit considerable overlap before weighting and therefore show relatively little visible change. The distribution of the number of affiliates also moves toward greater overlap after weighting, although its discrete nature leaves more visible differences in distributional shape. Taken together, the figure and the EADD diagnostics show that the improvement in mean balance is accompanied by broader distributional improvements, most notably for firm size and Tobin's Q.

[Insert Figure 3 about here]

Panel A of Table 5 shows that the main result remains intact under this reweighting. Using the same overlap weights across the full-period and event-window specifications, the coefficient on *Preparation* × *Group-Succession* is 0.734 without additional firm-level controls and 0.681 with controls over the full sample period. The corresponding estimates are 1.281 and 0.997 within the

±6-year window and 1.775 and 1.594 within the ±2-year window. With controls, the estimates of 0.681, 0.997, and 1.594 correspond to approximately 54%, 79%, and 126% of the sample mean, respectively. Thus, the preparation-period differential remains economically large after reweighting and becomes more pronounced as the analysis is localized around the heir's executive promotion. Taken together with the stacked estimates, these results reduce the concern that the main findings are driven primarily by either differences in succession timing and cohort composition or the observable firm-size differences that remain after matching.

B. Minority Ownership and External Stakeholder Exposure

The preceding results show that corporate giving rises during succession preparation in Group-Succession business groups. We first ask whether this increase is stronger when the controlling family faces a broader outside stakeholder audience. This distinction is important for interpreting the baseline result. If the increase in giving reflects only considerations internal to the controlling family, there is no particular reason for the response to be stronger when more outside stakeholders are exposed to the succession process. By contrast, if giving helps the controlling family manage external stakeholder responses to prospective family control, the preparation-period increase should tend to be stronger when the succession affects a broader outside audience.

1. Minority Ownership Minority ownership provides one empirical dimension along which such external stakeholder exposure varies. When a larger share of the firm's cash-flow rights is held by minority shareholders, the prospective transfer of control affects a broader outside investor base and may expose the controlling family's succession decision to greater external scrutiny. We therefore examine whether the preparation-period giving response is stronger among business groups with greater minority ownership.

Table 6 compares the preparation-period effect between business groups with minority ownership below and above the cross-sectional median. The estimated coefficient on *Preparation* × *Group-Succession* is 0.441 in the low-minority-ownership subsample and 0.827 in the high-minority-ownership subsample. These estimates correspond to approximately 35% and 65% of the sample mean of the dependent variable, respectively. Thus, the point estimate is nearly twice as large among business groups with greater minority ownership. The estimate for the high-minority-ownership group is also statistically significant at the 10 percent level, whereas that for the low-minority-ownership group is not. Economically, the pattern indicates that the increase in giving associated with succession preparation is more pronounced when a larger fraction of ownership lies outside the controlling family.

[Insert Table 6 about here]

We interpret this pattern as suggestive evidence that succession-related giving tends to be stronger when the controlling family is exposed to a broader outside shareholder audience. Minority ownership, however, captures only one dimension of the external environment surrounding family succession. We therefore next examine social-approval exposure more directly.

2. Social-Approval Exposure We next provide a more direct test of the proposed social-approval mechanism. If preparation-period giving is used to manage stakeholder approval, the increase should be stronger when the prospective family succession is more exposed to external scrutiny. We therefore test this prediction using the continuous standardized social-approval exposure index.

Table 7 reports the results. The coefficient of primary interest is *Group-Succession* × *Preparation* × *Social-Approval Exposure*. Because the exposure index is standardized to have a unit standard deviation, the interaction coefficient directly measures how much the preparation-period response increases when social-approval exposure rises by one standard deviation. The estimated interaction is positive and statistically significant in every specification: 0.554 over the full period, 1.021 within the ±6-year window, and 1.235 within the ±2-year window. The consistency of the sign across specifications indicates that greater social-approval exposure is systematically associated with a larger preparation-period giving response.

[Insert Table 7 about here]

The magnitudes are economically substantial. Within the ±6-year window, a one-standard-deviation increase in social-approval exposure increases the preparation-period response by 1.021, an incremental effect equivalent to approximately 80% of the sample mean of the dependent variable. Because the social-approval index is standardized and centered at zero, the coefficient on *Preparation* × *Group-Succession* represents the estimated preparation-period effect at the mean level of social-approval exposure. This effect is 1.294 within the ±6-year window, so the additional response associated with a one-standard-deviation increase in exposure is approximately 79% as large as the preparation effect at the mean level of exposure. The implied preparation-period effect therefore rises from 1.294 at the mean level of exposure to 2.315 at one standard deviation above the mean. These magnitudes indicate that stakeholder exposure is associated not merely with whether the preparation-period response is detectable, but with a substantial increase in the size of that response.

The interaction is also larger in the event-window specifications than over the full period. The coefficient increases from 0.554 over the full period to 1.021 and 1.235 within the ±6- and ±2-year windows, respectively. The relationship between social-approval exposure and succession-related giving therefore appears particularly pronounced in observations closer to the heir's executive promotion, when the prospective transfer of family control is likely to be more salient.

3. Cumulative Social-Approval Exposure The preceding analyses examine minority ownership and the continuous social-approval index separately. We next ask whether the preparation-period response is concentrated among business groups that satisfy salient exposure conditions across these dimensions. Starting from the median minority-ownership classification in Table 6, we sequentially expand the High group to include business groups with a relatively young heir, high consumer sensitivity, and a large affiliate network.

We use a union rather than an intersection rule because these characteristics capture distinct channels through which prospective family control may become exposed to external stakeholder evaluation. The proposed mechanism does not require a business group to be highly exposed along every dimension simultaneously; pronounced exposure along any one dimension can increase the salience or economic consequences of stakeholder scrutiny. Accordingly, once a business group satisfies a salient exposure condition, it enters the High category and remains there as additional conditions are introduced. For the additional social-approval conditions, we use tercile cutoffs[6] to identify relatively pronounced exposure along each dimension.

Table 8 reports the results. Columns (1) and (2) reproduce the minority-ownership split from Table 6. Columns (3) and (4) add young-heir exposure to the cumulative classification. The contrast becomes more pronounced: the interaction coefficient is −0.212 in the Low group and 1.119 in the High group. The High-group estimate is statistically significant at the 5 percent level ($p = 0.046$), whereas the Low-group estimate is not ($p = 0.576$). The High-group estimate is also economically meaningful, corresponding to approximately 88% of the sample mean of the dependent variable. Thus, once business groups with relatively young prospective heirs are included among those facing salient social-approval exposure, the preparation-period increase in giving is concentrated in the High-exposure group.

[Insert Table 8 about here]

Columns (5) and (6) further expand the High group to include business groups with high consumer sensitivity. The estimated coefficient remains small and statistically insignificant in the Low group (−0.185, $p = 0.734$), whereas the High-group coefficient is 0.916 and statistically significant at the 10 percent level ($p = 0.075$). The latter estimate corresponds to approximately 72% of the sample mean of the dependent variable. Finally, columns (7) and (8) additionally

[6]The median split for minority ownership is retained to preserve comparability with Table 6. Using median splits for every added condition would mechanically classify approximately one-half of the business groups as high on each dimension. Under a cumulative union rule, the High category would therefore rapidly absorb most of the sample even when the individual conditions capture distinct dimensions of exposure. Tercile thresholds mitigate this mechanical expansion while preserving the interpretation of the added indicators as salient exposure conditions. For heir age, high exposure corresponds to the bottom tercile because younger heirs are hypothesized to face greater legitimacy concerns.

incorporate business groups with a large affiliate network.[7] The coefficient is −0.885 in the remaining Low group and 0.832 in the High group, with wild-cluster-bootstrap p-values of 0.063 and 0.045, respectively. The High-group estimate corresponds to approximately 66% of the sample mean of the dependent variable. The opposite signs reinforce the broader pattern that the positive preparation-period response is concentrated among business groups satisfying at least one of the cumulative exposure conditions.

Across the cumulative classifications, the Group-Succession-specific preparation response remains positive and statistically significant in the High-exposure group, while the corresponding positive differential disappears from the increasingly restrictive Low-exposure group. This concentration is consistent with the proposed mechanism: what distinguishes Group Succession is not succession preparation alone, but the additional philanthropic response that arises when prospective family control is exposed to consequential external evaluation.

Taken together, Tables 6–8 provide complementary evidence on the stakeholder-facing mechanism underlying the increase in corporate giving during succession preparation. Table 6 shows that the preparation-period response is more pronounced when a larger share of ownership is held outside the controlling family. Table 7 shows that the response increases systematically with the continuous measure of social-approval exposure. Table 8 further shows that the positive response is concentrated among business groups satisfying one or more salient stakeholder-exposure conditions. These results arise from different empirical approaches but point in the same direction: the philanthropic response to succession preparation is stronger when prospective family control is more exposed to external evaluation. The evidence is therefore consistent with corporate philanthropy serving, at least in part, as a means of managing stakeholder approval as prospective family control becomes salient.

C. Robustness of the Social-Approval Measure

A potential concern is that the number of affiliates, one component of the social-approval index, may capture organizational complexity associated with group partition rather than external stakeholder exposure per se. This distinction matters because a positive interaction driven primarily by organizational scope would provide a less direct test of the stakeholder-approval interpretation. We therefore reconstruct the index using only consumer sensitivity and heir age, while including the number of affiliates separately as a firm-level control.

Table A2 shows that the main pattern becomes, if anything, stronger. A one-standard-deviation increase in the alternative social-approval index is associated with an additional preparation-

[7] As a robustness check, Appendix Table A3 replicates the cumulative-exposure analysis after excluding the number of affiliates from the regression controls while leaving the exposure classifications unchanged. The qualitative pattern remains similar: the Group-Succession-specific preparation response remains concentrated in the High-exposure group.

period giving response of 1.520 in the full sample, 2.636 within the ±6-year window, and 2.069 within the ±2-year window. Thus, the positive relation between social-approval exposure and preparation-period giving does not depend on using the number of affiliates to construct the exposure measure. This result helps distinguish the stakeholder-approval interpretation from the alternative that the heterogeneity merely reflects the organizational scope or complexity of business groups undergoing succession.

V. Conclusion

This paper examines whether prospective dynastic succession shapes corporate policy before formal control changes hands. This question matters because the consequences of family succession extend beyond the controlling family. As an eventual heir becomes visible within a business group, outside stakeholders can evaluate not only the heir's managerial readiness but also the prospect of continued family control. These evaluations can create stakeholder-facing costs for the controlling family and its affiliated firms. We argue that corporate philanthropy is a visible strategic resource through which firms can mitigate such stakeholder-facing costs during succession preparation.

We study Korean family-controlled business groups whose histories are associated with family group partition. In this setting, prospective succession is particularly salient because the prospective heir represents not only a potential manager, but also a family branch that exercises, or may ultimately exercise, control over a distinct network of affiliated firms. We define the succession-preparation period as the interval between an eventual heir's publicly reported entry into a group affiliate and the heir's first executive promotion. This interval captures a period in which prospective family control becomes observable to external stakeholders before the heir is formally elevated in the executive hierarchy. Our framework extends the family-succession trade-off by introducing a firm-level legitimacy cost associated with prospective dynastic control. It predicts that firms make incremental charitable-giving investments during succession preparation, and that this response is stronger when the business group faces greater exposure to external social approval.

Our evidence is consistent with these predictions. Relative to the contemporaneous change among firms in Non-Group-Succession family business groups, Group-Succession firms increase charitable giving during the succession-preparation period. In the baseline specification with firm-level controls, the estimated differential equals approximately 55% of the sample mean of the dependent variable. The estimated response becomes substantially larger when the analysis is concentrated in windows closer to the heir's first executive promotion, and descriptive evidence indicates that the differential is concentrated before, rather than persisting after, the promotion. The finding also remains economically meaningful when we compare treated firms with matched controls within event-specific succession cohorts in stacked difference-in-differences specifications,

and when overlap weighting improves balance in observable firm characteristics. Together with the absence of an unconditional difference in average giving between Group-Succession and Non-Group-Succession firms, these results are more consistent with a temporally concentrated response to succession preparation than with a persistent difference in philanthropic policy across the two types of business groups.

The cross-sectional results further support the stakeholder-facing interpretation. The firm-level preparation-period increase in giving is more pronounced in business groups with greater minority ownership, which is consistent with prospective succession being evaluated by a broader outside shareholder audience. More directly, the response rises systematically with a business-group-level social-approval exposure index that captures consumer sensitivity, affiliate scope, and the prospective heir's age; this relation is particularly pronounced nearer to executive promotion. The cumulative analyses likewise show that the positive preparation-period response is concentrated among business groups facing one or more salient stakeholder-exposure conditions. In the framework, minority ownership does not operate as a separate cost-shifting mechanism. Rather, it is one source of the external social-approval exposure that raises the marginal value of visible goodwill investments. Taken together, these findings are consistent with corporate philanthropy serving, at least in part, as a means of managing stakeholder approval as prospective family control becomes salient.

Our findings make three contributions. First, we broaden the economic scope of family succession. Prior work has treated succession as a problem of allocating ownership, management, and control within the family. Our evidence suggests that prospective succession can also create a stakeholder-facing problem: anticipated family control can affect external stakeholders' evaluations, which in turn shape corporate decisions before control is formally transferred. Second, we contribute to the literature on corporate philanthropy by identifying prospective family succession as a strategic determinant of charitable giving. In this setting, philanthropy serves not simply as an expression of managerial or family preferences, but as a visible reputational resource used to address the costs associated with external evaluation of future family control. Third, we shift attention from realized succession events to anticipatory corporate behavior. Succession is not only a dated transfer of ownership or authority; it is a multiyear process during which firms can adjust policy while the eventual heir is being prepared for leadership.

Our findings also carry an implication for the governance and evaluation of corporate social investment. An increase in charitable giving should not be interpreted solely as evidence of stronger social preferences or improved stakeholder orientation. When prospective family control is salient, such spending may also reflect a strategic response to the stakeholder-facing costs of succession. Boards, investors, and other evaluators should therefore assess corporate philanthropy in its governance context, particularly around anticipated transitions in family control. The relevant

transparency concern is not only the amount of giving, but also the decision process and governance oversight surrounding succession-period social investments.

Endnotes

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APPENDIX

Proofs

1. Proof of Lemma 1

Conditional on family succession, the controlling family chooses g_t to solve

$$\max_{g_t \geq 0} \ \alpha \left[E_F - \beta g_t - s_t z(x, m) \ell(g_t) \right] + AP. \tag{34}$$

Because E_F and AP do not vary with g_t and $\alpha > 0$, this problem is equivalent to minimizing

$$c(g_t; s_t, z) = \beta g_t + s_t z \ell(g_t), \tag{35}$$

where, for notational simplicity, $z = z(x, m)$.

The first derivative is

$$\frac{\partial c}{\partial g_t} = \beta + s_t z \ell'(g_t), \tag{36}$$

and the second derivative is

$$\frac{\partial^2 c}{\partial g_t^2} = s_t z \ell''(g_t). \tag{37}$$

For $s_t z > 0$, Assumption 2 implies

$$\frac{\partial^2 c}{\partial g_t^2} > 0, \tag{38}$$

so $c(g_t; s_t, z)$ is strictly convex.

If

$$\beta + s_t z \ell'(0) \geq 0, \tag{39}$$

the marginal cost of increasing g_t is nonnegative at the boundary. Because $\ell''(g_t) > 0$, the marginal cost is increasing in g_t whenever $s_t z > 0$. Hence, the optimum is

$$g_t^* = 0. \tag{40}$$

This conclusion also holds when $s_t z = 0$, because in that case

$$c(g_t; s_t, z) = \beta g_t \tag{41}$$

and $\beta > 0$.

If instead

$$\beta + s_t z \ell'(0) < 0, \tag{42}$$

then necessarily $s_t z > 0$, and the objective initially decreases with g_t. Moreover, because

$$\lim_{g_t \to \infty} \ell'(g_t) = 0, \tag{43}$$

we have

$$\lim_{g_t \to \infty} \frac{\partial c}{\partial g_t} = \beta > 0. \tag{44}$$

Continuity and strict convexity therefore imply a unique interior optimum satisfying

$$\beta + s_t z \ell'(g_t^*) = 0, \tag{45}$$

or equivalently,

$$-s_t z \ell'(g_t^*) = \beta. \tag{46}$$

This proves Lemma 1.

2. Proof of Corollary 1

Conditional on family succession, the controlling family's welfare is

$$\pi_F(g_t, x, m; s_t) = \alpha \left[E_F - \beta g_t - s_t z(x, m) \ell(g_t) \right] + AP. \tag{47}$$

Because $\alpha > 0$ and AP does not depend on g_t, maximizing π_F with respect to g_t is equivalent to minimizing

$$\beta g_t + s_t z(x, m) \ell(g_t). \tag{48}$$

For $m > 0$, minority-shareholder welfare under family succession is

$$\Omega_F(g_t, x, m; s_t) = m \left[E_F - \beta g_t - s_t z(x, m) \ell(g_t) \right]. \tag{49}$$

Because $m > 0$, maximizing Ω_F with respect to g_t is also equivalent to minimizing

$$\beta g_t + s_t z(x, m) \ell(g_t). \tag{50}$$

The controlling family and minority shareholders therefore solve the same optimization problem over g_t and hence prefer the same optimal giving level, g_t^*.

This proves Corollary 1.

3. Proof of Proposition 1

During the succession-preparation period, $s_t = 1$. For an interior solution, Lemma 1 implies

$$\beta + z\ell'(g_t^*) = 0. \tag{51}$$

Differentiating with respect to z gives

$$\ell'(g_t^*) + z\ell''(g_t^*)\frac{\partial g_t^*}{\partial z} = 0. \tag{52}$$

Therefore,

$$\frac{\partial g_t^*}{\partial z} = -\frac{\ell'(g_t^*)}{z\ell''(g_t^*)} > 0, \tag{53}$$

because $\ell'(g_t^*) < 0$, $\ell''(g_t^*) > 0$, and an interior solution requires $z > 0$.

Differentiating the same first-order condition with respect to β gives

$$1 + z\ell''(g_t^*)\frac{\partial g_t^*}{\partial \beta} = 0, \tag{54}$$

and hence

$$\frac{\partial g_t^*}{\partial \beta} = -\frac{1}{z\ell''(g_t^*)} < 0. \tag{55}$$

Finally, because

$$D_t = \bar{D}_t + g_t^*, \tag{56}$$

and $\bar{D}_t$ is held fixed in the succession-specific comparative static,

$$\frac{\partial D_t}{\partial z} = \frac{\partial g_t^*}{\partial z} > 0. \tag{57}$$

This proves Proposition 1.

4. Minority Ownership and Succession-Induced Giving

Minority ownership is defined as

$$m = 1 - \alpha, \tag{58}$$

and social-approval exposure satisfies

$$z = z(x, m). \tag{59}$$

Conditional on an interior giving choice during the succession-preparation period,

$$g_t^* = g_t^*\big(z(x, m), \beta\big). \tag{60}$$

Applying the chain rule,

$$\frac{\partial g_t^*}{\partial m} = \frac{\partial g_t^*}{\partial z}\frac{\partial z}{\partial m}. \tag{61}$$

From Proposition 1,

$$\frac{\partial g_t^*}{\partial z} > 0, \tag{62}$$

and by equation (3),

$$\frac{\partial z}{\partial m} \geq 0. \tag{63}$$

It follows that

$$\frac{\partial g_t^*}{\partial m} \geq 0. \tag{64}$$

Thus, greater minority ownership can be associated with greater succession-induced giving through its effect on social-approval exposure.

Equivalently, holding the non-ownership characteristics x fixed and using $m = 1 - \alpha$,

$$\frac{\partial g_t^*}{\partial \alpha} = -\frac{\partial g_t^*}{\partial m} \leq 0. \tag{65}$$

This comparative static concerns the stakeholder-exposure channel, $m \to z \to g_t^*$. It is distinct from the ownership-dependent governance channel summarized by $G(\alpha; \theta)$ under professional management.

5. Proof of Corollary 2

During the succession-preparation period, firm value under family succession with optimal giving is

$$V_F^* = E_F - C(1, z), \tag{66}$$

whereas firm value under professional succession is

$$V_P = E_P - G(\alpha; \theta). \tag{67}$$

For $m > 0$, minority shareholders prefer family succession with optimal giving if and only if

$$mV_F^* > mV_P, \tag{68}$$

which is equivalent to

$$E_F - C(1, z) > E_P - G(\alpha; \theta). \tag{69}$$

Using $\phi = E_P - E_F$, this condition becomes

$$G(\alpha; \theta) > \phi + C(1, z). \tag{70}$$

Now consider the counterfactual in which no succession-induced giving is available. Firm value under family succession is then

$$V_F^0 = E_F - z\ell(0). \tag{71}$$

Minority shareholders strictly prefer professional succession in this counterfactual if and only if

$$E_P - G(\alpha; \theta) > E_F - z\ell(0), \tag{72}$$

or equivalently,

$$G(\alpha; \theta) < \phi + z\ell(0). \tag{73}$$

Hence, whenever

$$\phi + C(1, z) < G(\alpha; \theta) < \phi + z\ell(0), \tag{74}$$

minority shareholders strictly prefer professional succession without succession-induced giving but strictly prefer family succession when the optimal giving response is available.

Moreover, if $g_t^* > 0$, then $g_t = 0$ is feasible but not optimal. Therefore,

$$C(1, z) < z\ell(0), \tag{75}$$

so the interval above can be nonempty.

Finally, the lower inequality implies

$$E_F - C(1, z) > E_P - G(\alpha; \theta), \tag{76}$$

so family succession with optimal giving also generates strictly greater firm value than professional succession. Since the controlling family receives the additional private amenity $AP > 0$ under family succession,

$$\pi_F^* > \pi_P. \tag{77}$$

Thus, in the region characterized by equation (30), both the controlling family and minority shareholders strictly prefer family succession with the optimal giving response g_t^*. Hence, (F, g_t^*)

is an incentive-aligned succession outcome.

This proves Corollary 2.

6. Proof of Proposition 2

During the succession-preparation period,

$$C(1,z) = \min_{g_t \geq 0} \{\beta g_t + z\ell(g_t)\}. \tag{78}$$

At points where the value function $C(1,z)$ is differentiable, the envelope theorem implies

$$\frac{\partial C(1,z)}{\partial z} = \ell(g_t^*). \tag{79}$$

By Assumption 2,

$$\ell(g_t^*) > 0. \tag{80}$$

Therefore,

$$\frac{\partial C(1,z)}{\partial z} = \ell(g_t^*) > 0. \tag{81}$$

Thus, greater social-approval exposure increases the minimized legitimacy-management cost associated with family succession, even after accounting for the optimal corporate-giving response.

This proves Proposition 2.

FIGURES

Figure 1: Single-Heir Succession and Group Succession

This figure illustrates conventional single-heir succession and group partition. In single-heir succession, control of the existing business group remains with one successor branch of the founding family. Under group partition, businesses originating from a common founder group are separated into independently controlled business groups headed by different family branches. The Samsung founder family provides an illustrative example.
AI disclosure: This illustration was generated using ChatGPT (GPT-5.6, OpenAI) on 11th August 2026, based on an author-provided description of conventional single-heir succession and group partition. The author specified the concepts and relationships to be depicted, reviewed the resulting illustration for accuracy, and takes full responsibility for its content.

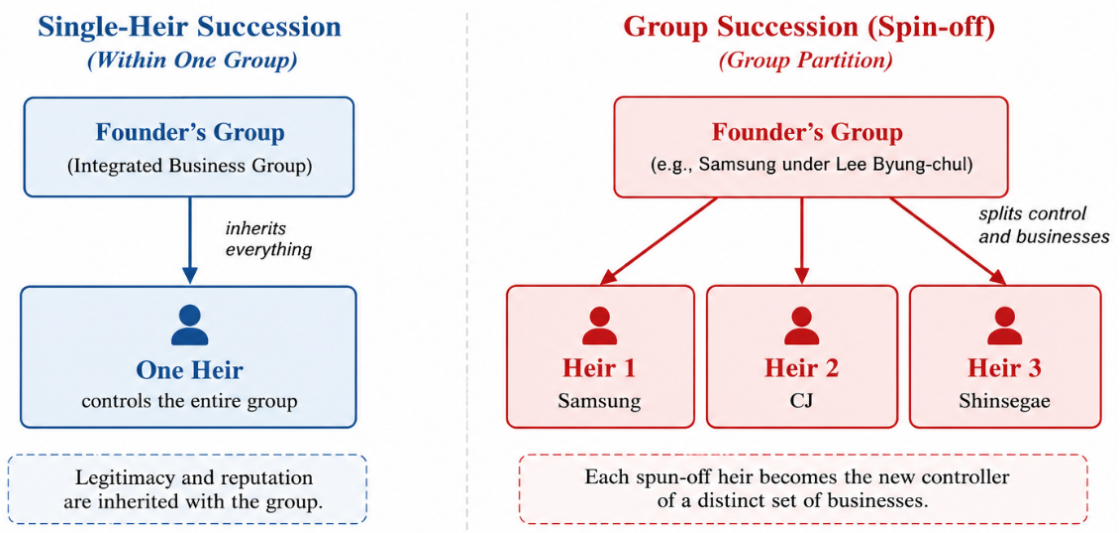


Figure 2: Corporate Giving Around Heir Executive Promotion

This figure plots corporate giving around the heir's first executive promotion for Group-Succession and Non-Group-Succession family business groups. The outcome is the calendar-year-adjusted value of Ln(Donation/Assets), obtained by removing calendar-year means from the firm-year donation measure. Event time is defined such that the promotion year is $\tau = -1$ and the first post-promotion year is $\tau = 0$, consistent with the definition of Preparation, which includes the promotion year. For each group type, the series is normalized relative to its average over $\tau \geq 1$, excluding the first post-promotion year to allow for immediate transition dynamics. The vertical dotted line separates the preparation and post-promotion periods, and the horizontal dashed line denotes each group's normalization mean.

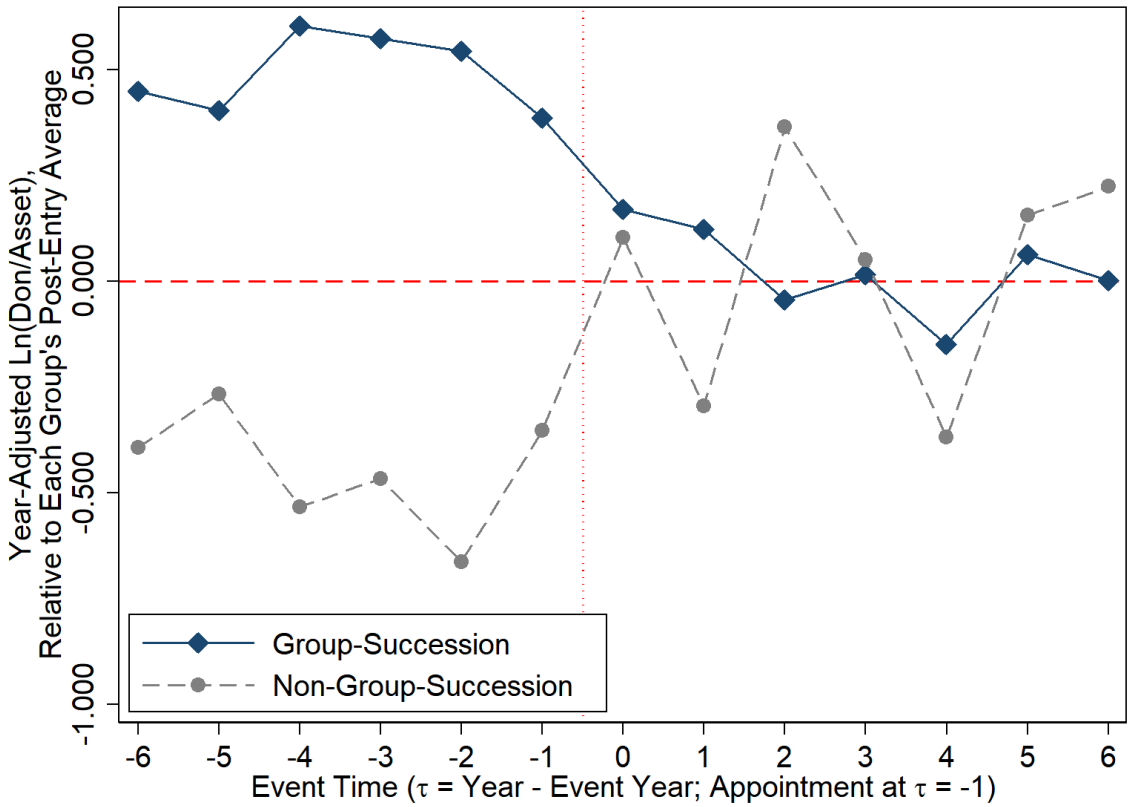
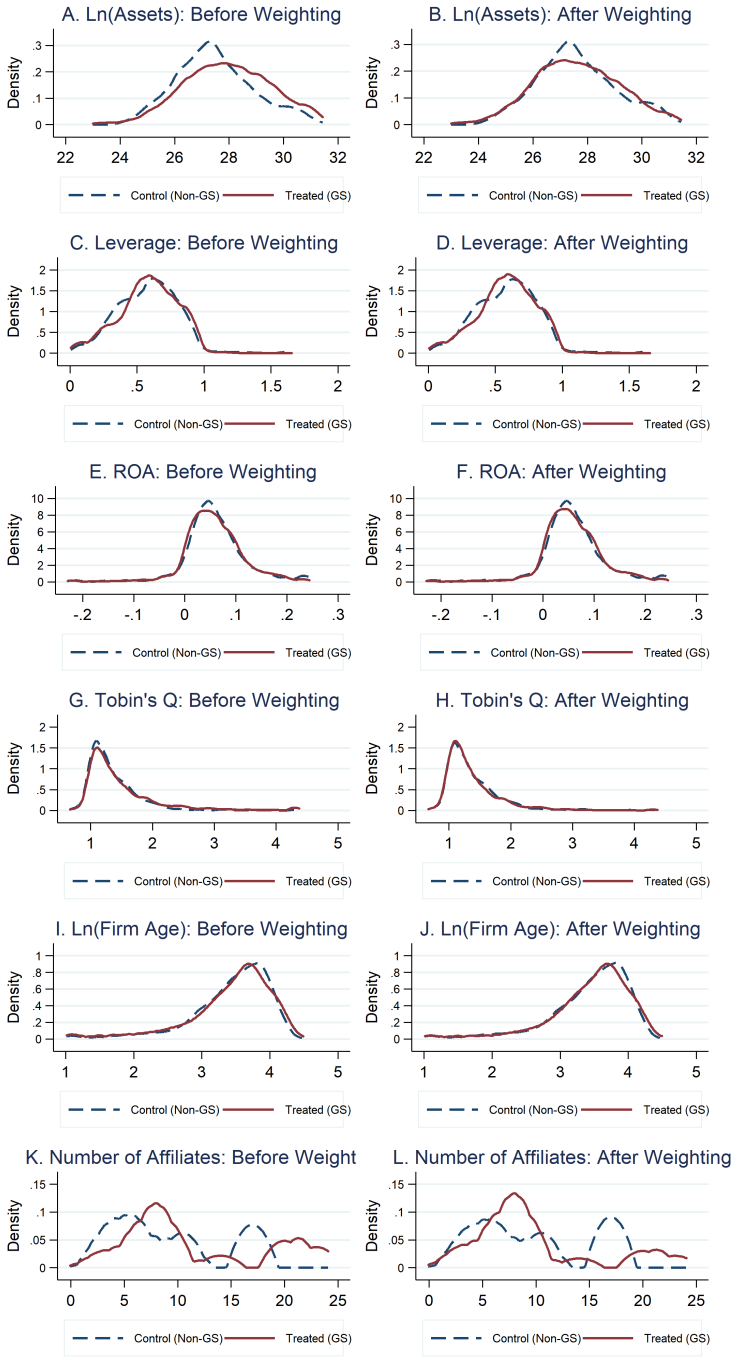


Figure 3: Covariate Distributions Before and After Overlap Weighting

This figure plots the distributions of the six propensity-score covariates for Group-Succession (GS) and Non-Group-Succession (Non-GS) observations before and after overlap weighting. The dashed line denotes Non-Group-Succession observations and the solid line denotes Group-Succession observations. Propensity scores are estimated at the firm-year level using lagged firm size, Tobin's Q, leverage, profitability, firm age, and the number of affiliated firms. For each covariate, the before- and after-weighting densities are evaluated using a common kernel bandwidth to facilitate direct comparison.



TABLES

Table 1. Family Succession in Group-Succession Business Groups

This table reports the 24 Group-Succession business groups in the sample, organized by founder cluster. The first through fourth controller columns trace the sequence of family members who assumed group-level control, while the "Next-generation successor" column reports an identified prospective successor who has not yet assumed group-level control. The succession analysis uses preparation episodes throughout the succession process and is therefore not limited to individuals reported in the "Next-generation successor" column.

No.	Founder cluster	Spinoff business group	1st controller	2nd controller	3rd controller	4th controller	Next-generation successor
1	AmorePacific[a]	AmorePacific	Seo Seong Hwan	Seo Kyoung Bae			Seo Min Jeong
2	Daesung[a]	Daesung	Kim Su Geun	Kim Young Hoon			
3	Dongwon	Dongwon	Kim Jae Chul	Kim Nam Jung			
4		Korea Investment	Kim Jae Chul	Kim Nam Ku			Kim Dong Yun
5	Dongyang	Dongyang	Lee Yang Gu	Hyun Jae Hyun			Hyun Jung Dam Hyun Seung Dam
6		Orion	Lee Yang Gu	Dam Chul Gon			Dam Kyung Sun Dam Seo Won
7	Hanjin	Hanjin	Joh Joong Hoon	Joh Yang Ho	Joh Won Tae		
8		Meritz	Joh Joong Hoon	Joh Yang Ho	Joh Jung Ho		
9	Hanwha[a]	Hanwha	Kim Jong Hee	Kim Seung Yeon			Kim Dong Gwan
10	Hyundai	HDC	Chung Joo Young	Chung Sae Young	Chung Mong Kyu		
11		Hyundai	Chung Joo Young	Chung Mong Hun Hyun Jung Eun			Chung Ji Ee
12		Hyundai Department	Chung Joo Young	Chung Mong Geun	Chung Ji Sun		
13		Hyundai Heavy	Chung Joo Young	Chung Mong Joon			Chung Ki Sun
14		Hyundai MarineFire	Chung Joo Young	Chung Mong Yoon			
15		Hyundai Motors	Chung Joo Young	Chung Mong Goo	Chung Eui Sun		
16		KCC	Chung Sang Young	Chung Mong Jin			Chung Jae Lim
17	Kumho	Kumho Asiana	Park In Cheon	Park Sung Yong Park Jung Gu	Park Sam Gu		Park Se Chang
18	LG	GS	Huh Man Chung Gu In Hoi	Huh Chang Soo	Huh Tae Soo		
19		LG	Gu In Hoi	Gu Ja Kyung	Gu Bon Moo	Gu Kwang Mo	
20		LS	Gu In Hoi	Gu Ja Hong	Gu Ja Yeol		Gu Ja Eun
21	Samsung	CJ	Lee Byung Chul	Lee Meng Hee	Lee Jae Hyun		Lee Sun Ho
22		Hansol	Lee Byung Chul	Lee In Hee	Cho Dong Gil		Cho Sung Min
23		Samsung	Lee Byung Chul	Lee Gun Hee	Lee Jae Yong		
24		Shinsegae	Lee Byung Chul	Lee Myung Hee			Chung Yong Jin

[a] Three founder family clusters experienced family spin-offs whose spun-off entities were not designated as large business groups during the sample period. Accordingly, only the business groups included in the sample are reported. The omitted spin-off groups are Taepyeongyang Development Group (AmorePacific), Daesung Industrial Group and Seoul City Gas Group (Daesung), and Binggrae Group (Hanwha).

Table 2. Univariate Comparisons of Corporate Donations

This table reports univariate comparisons of Ln(Donation/Assets) across subsamples of firms. Panel A compares family and non-family firms. Panel B restricts the sample to family firms and compares Group-Succession and Non-Group-Succession business groups. Group-Succession is an indicator equal to one for business groups that experienced a family group partition or were created through such a partition. Column (1) reports the number of firm-year observations. Column (2) reports the mean, with the standard deviation in parentheses. Column (3) reports the t-statistic for the difference in means. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

	Observations (1)	Mean (2)	t-statistic (3)
Panel A. Family versus Non-family Firms			
Family = 1	6,239	1.15	
		(2.14)	
Family = 0	600	1.93	
		(3.01)	
Difference	6,839	-0.78^{***}	(-6.18)
Panel B. Within-family: Group-Succession versus Non-Group-Succession			
Group-Succession = 1	3,267	1.12	
		(2.07)	
Group-Succession = 0	2,972	1.18	
		(2.21)	
Difference	6,239	-0.06	(-1.06)

Table 3. Descriptive Statistics

This table reports descriptive statistics for the full family-firm sample and the succession-analysis sample. The full family-firm sample consists of 6,239 firm-year observations. The succession-analysis sample consists of 4,091 firm-year observations for which the relevant heir's entry year can be identified. Group-Succession is an indicator equal to one for business groups that experienced a family group partition or were created through such a partition. Preparation is an indicator equal to one from the heir's entry into a business-group affiliate through the heir's first executive promotion and is reported only for the succession-analysis sample. Ln(Donation/Assets) is defined as $1{,}000 \times \ln(1 + \text{Donation}/\text{Assets})$. Ln(Assets) is the natural logarithm of total assets. Tobin's Q measures growth opportunities. Leverage is total debt divided by total assets. ROA is the profitability measure. Ln(Firm age) is the natural logarithm of the number of years since establishment. Number of affiliates is the number of firms affiliated with the business group. Consumer sensitivity measures the business group's exposure to consumer-facing industries. Heir age at preparation anchor is the age of the prospective heir at the preparation anchor. Social-Approval Exposure is a standardized business-group-level index combining consumer sensitivity, the number of affiliates, and sign-reversed heir age. Continuous variables are winsorized at the 1st and 99th percentiles where applicable. Detailed variable definitions are reported in Appendix Table A4.

	Full Family-Firm Sample			Succession-Analysis Sample		
Variable	N	Mean	Std. Dev.	N	Mean	Std. Dev.
	(1)	(2)	(3)	(4)	(5)	(6)
Corporate philanthropy						
Ln(Donation/Assets)	6,239	1.151	2.141	4,091	1.267	2.298
Succession characteristics						
Group-Succession	6,239	0.524	0.499	4,091	0.670	0.470
Preparation	–	–	–	4,091	0.200	0.400
Firm characteristics						
Ln(Assets)	6,239	27.667	1.576	4,091	27.813	1.568
Tobin's Q	6,239	1.448	0.555	4,091	1.446	0.561
Leverage	6,239	0.557	0.238	4,091	0.579	0.225
ROA	6,239	0.052	0.059	4,091	0.057	0.059
Ln(Firm age)	6,239	3.428	0.655	4,091	3.430	0.628
Number of affiliates	6,239	8.679	6.256	4,091	10.695	6.285
Ownership and social-approval exposure						
Minority ownership (%)	6,158	33.657	16.325	4,036	34.739	16.631
Consumer sensitivity	–	–	–	4,091	0.309	0.244
Heir age at preparation anchor	–	–	–	4,091	35.034	3.971
Social-Approval Exposure	–	–	–	4,091	0.177	1.085

Table 4. Corporate Giving During Succession Preparation

This table reports difference-in-differences estimates of corporate giving during succession preparation. The dependent variable is Ln(Donation/Assets). Preparation equals one from the heir's entry into a business-group affiliate through the heir's first executive promotion, and zero otherwise. Group-Succession equals one for business groups that experienced a family group partition or were created through such a partition, and zero otherwise. Panel A reports the baseline difference-in-differences estimates. Columns (1)–(3) use the full sample period (1984–2020), whereas columns (4)–(6) restrict the sample to a ±6-year event window around the heir's first promotion to executive position. Panel B reports robustness tests. Columns (1)–(3) further restrict the sample to a ±2-year event window around the heir's first promotion to executive position. Columns (4)–(5) report stacked difference-in-differences estimates on the same ±2-year event window. Controls and fixed effects (FE) are included as indicated. Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession*. Statistical significance for *Preparation* × *Group-Succession* is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Baseline Difference-in-Differences (DiD)

Dependent variable:	Full period (1984–2020)			Event window ±6 years		
Ln(Donation/Assets)	(1)	(2)	(3)	(4)	(5)	(6)
Preparation × Group-Succession	0.676*	0.642**	0.691*	1.003**	1.099***	0.925**
	(2.07)	(2.27)	(2.01)	(2.32)	(2.95)	(2.34)
Group-Succession (GS)	−0.238	−0.318	−0.263	−0.605	−0.766*	−0.484
	(−0.76)	(−1.44)	(−1.20)	(−1.27)	(−1.89)	(−1.09)
Preparation (Prep)	−0.277	−0.231	−0.244	−0.379	−0.454	−0.335
	(−1.23)	(−1.10)	(−0.98)	(−1.21)	(−1.64)	(−1.11)
Controls	N	N	Y	N	N	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	N	Y	Y	N	Y	Y
# Clusters	36	36	36	34	34	34
Wild p (Prep × GS)	0.055	0.036	0.056	0.033	0.009	0.025
N	4,091	4,091	3,870	1,434	1,434	1,360
Adj. R^2	0.069	0.175	0.217	0.092	0.193	0.216

Panel B. Event-time Robustness

Dependent variable:	Event window ±2 years			Stacked DiD	
Ln(Donation/Assets)	(1)	(2)	(3)	(4)	(5)
Preparation × Group-Succession	1.416*	1.490**	1.506**	0.489***	0.597**
	(2.17)	(2.73)	(3.03)	(2.71)	(2.10)
Group-Succession	−0.675	−0.796	−0.503		
	(−1.09)	(−1.45)	(−0.91)		
Preparation	−0.837	−0.891*	−0.950**		
	(−1.52)	(−1.89)	(−2.23)		
Controls	N	N	Y	Y	Y
Year FE	Y	Y	Y	–	–
Industry FE	N	Y	Y	–	–
Firm × stack FE	–	–	–	Y	Y
Event-time FE	–	–	–	N	Y
Event-time × stack FE	–	–	–	Y	N
# Clusters	31	31	31	20	20
Wild p (Prep × GS)	0.078	0.040	0.021	0.010	0.045
N	573	572	536	339	339
Adj. R^2	0.072	0.166	0.227	0.690	0.682

Table 5. Overlap-weighted Regressions

This table reports overlap-weighted difference-in-differences estimates following Li et al. (2018). The dependent variable is Ln(Donation/Assets). Propensity scores are estimated at the firm-year level using lagged firm size, Tobin's Q, leverage, profitability, firm age, and the number of affiliated firms. Panel A reports overlap-weighted difference-in-differences estimates. Columns (1)–(2) use the full sample period (1984–2020). Columns (3)–(4) restrict the sample to a ±6-year event window around the heir's executive promotion, and columns (5)–(6) restrict the sample to a ±2-year event window. The same overlap weights, estimated using the full firm-year analysis sample, are applied across the three event windows. Year and industry fixed effects (FE) are included in all specifications; firm-level controls are included as indicated in the table. Reported t-statistics are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession*. Statistical significance for *Preparation* × *Group-Succession* is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. Panel B reports covariate balance before and after overlap weighting. SMD denotes the standardized mean difference between Group-Succession and Non-Group-Succession observations. EADD denotes expected absolute density deviation and captures differences in the broader covariate distributions. Values closer to zero indicate greater balance. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Panel A. Overlap-weighted Difference-in-Differences Estimates

Dependent variable:	Full period (1984–2020)		Event window ±6 years		Event window ±2 years	
Ln(Donation/Assets)	(1)	(2)	(3)	(4)	(5)	(6)
Preparation × Group-Succession	0.734**	0.681*	1.281***	0.997***	1.775***	1.594***
	(2.35)	(1.94)	(3.39)	(2.88)	(3.41)	(3.75)
Group-Succession (GS)	−0.269	−0.289	−0.762*	−0.551	−0.649	−0.573
	(−1.39)	(−1.49)	(−1.83)	(−1.34)	(−1.23)	(−1.07)
Preparation (Prep)	−0.296	−0.208	−0.624**	−0.378	−1.184***	−1.065***
	(−1.36)	(−0.86)	(−2.11)	(−1.40)	(−2.64)	(−2.87)
Controls	N	Y	N	Y	N	Y
Year FE	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y
# Clusters	36	36	34	34	31	31
Wild p	0.040	0.076	0.000	0.004	0.006	0.002
N	3,870	3,870	1,360	1,360	536	536
Adj. R^2	0.192	0.239	0.218	0.257	0.212	0.261

Panel B. Covariate Balance Before and After Overlap-weighting

Covariate	Unweighted means		SMD		EADD	
	Group-Succession (1)	Non-Group-Succession (2)	Before (3)	After (4)	Before (5)	After (6)
Ln(Assets)	27.942	27.474	0.309	0.000	9.063	4.062
Tobin's Q	1.482	1.353	0.247	0.000	0.316	0.148
Leverage	0.586	0.581	0.021	0.000	0.080	0.083
ROA	0.057	0.059	−0.031	0.000	0.007	0.007
Ln(Firm age)	3.417	3.434	−0.027	0.000	0.383	0.328
Number of affiliates	11.467	9.123	0.394	0.000	11.021	10.033
Mean across covariates	—	—	0.171	0.000	—	—

Table 6. Preparation-Period Giving and Minority Ownership

This table reports preparation-period corporate giving separately for business groups (BGs) with low and high minority ownership. The dependent variable is Ln(Donation/Assets), and Group-Succession is an indicator equal to one for business groups that experienced a family group partition or were created through such a partition. Business groups are classified as having low or high minority ownership based on the cross-sectional median.
Columns (1) and (2) report difference-in-differences estimates for business groups with low and high minority ownership, respectively. All regressions include the control variables, year fixed effects, and industry fixed effects (FE). Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession*. Statistical significance for *Preparation* × *Group-Succession* is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Low BG Minority Ownership	High BG Minority Ownership
Dependent variable: Ln(Donation/Assets)	(1)	(2)
Preparation × Group-Succession	0.441	0.827*
	(0.78)	(2.44)
Group-Succession (GS)	−0.428	−0.259
	(−1.00)	(−1.22)
Preparation (Prep)	−0.161	−0.436**
	(−0.31)	(−2.29)
Controls	Y	Y
Year FE	Y	Y
Industry FE	Y	Y
# clusters	18	18
Wild p (Preparation × GS)	0.465	0.087
Observations	1,439	2,431
Adjusted R^2	0.310	0.146

Table 7. Preparation-Period Giving and Social-Approval Exposure

This table examines whether preparation-period corporate giving varies with social-approval exposure. The dependent variable is Ln(Donation/Assets), and Group-Succession is an indicator equal to one for business groups that experienced a family group partition or were created through such a partition. The social-approval exposure index combines three components: standardized consumer sensitivity, the standardized number of affiliates, and sign-reversed heir age at the preparation anchor, with equal weights. SD denotes standard deviation. Columns (1)–(3) use the full sample period and event windows of ±6 and ±2 years around the heir's first executive promotion, respectively. All specifications include the control variables, year fixed effects, and industry fixed effects (FE). Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession* × *Social-Approval Exposure*. Statistical significance for this triple-interaction coefficient is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Full Period (1)	±6 Years (2)	±2 Years (3)
Preparation × Group-Succession × Social-Approval Exposure (1 SD)	0.554*	1.021**	1.235*
	(2.20)	(2.24)	(2.28)
Preparation × Group-Succession	0.861**	1.294**	2.006***
	(2.02)	(2.48)	(3.79)
Preparation × Social-Approval Exposure (1 SD)	−0.532**	−0.834*	−0.869*
	(−2.05)	(−1.85)	(−1.74)
Group-Succession × Social-Approval Exposure (1 SD)	−0.439***	−0.733**	−1.092**
	(−2.86)	(−2.11)	(−2.28)
Social-Approval Exposure (1 SD)	0.585***	0.985***	1.294***
	(3.44)	(2.97)	(3.17)
Group-Succession	−0.370**	−0.916**	−1.064*
	(−1.97)	(−1.99)	(−1.86)
Preparation	−0.395	−0.775*	−1.595***
	(−1.37)	(−1.75)	(−3.26)
Controls	Y	Y	Y
Year FE	Y	Y	Y
Industry FE	Y	Y	Y
# clusters	36	34	31
Wild p (Triple interaction)	0.100	0.023	0.064
Observations	3,870	1,360	536
Adjusted R^2	0.226	0.230	0.246

Table 8. Preparation-Period Giving across Cumulative Social-Approval Exposure Conditions

This table reports preparation-period corporate giving separately for low- and high-exposure business groups (BGs) under cumulative union classifications. The dependent variable is Ln(Donation/Assets), and Group-Succession is an indicator equal to one for business groups that experienced a family group partition or were created through such a partition. In columns (1) and (2), business groups are classified as having low or high minority ownership based on the cross-sectional median of BG-level minority ownership. In columns (3)–(8), the High group is cumulatively expanded using a union rule. Young Heir denotes business groups in the bottom tercile of BG-level heir age. Consumer Sensitivity denotes business groups in the top tercile of BG-level consumer sensitivity, and # of Affiliates denotes business groups in the top tercile of the number of affiliates. Once a business group enters the High group, it remains in the High group in subsequent specifications. All regressions include firm-level controls, including the number of affiliates, as well as year and industry fixed effects (FE). Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession*. Statistical significance for *Preparation* × *Group-Succession* is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Minority		∪ Young Heir		∪ Consumer Sensitivity		∪ # of Affiliates	
Dependent variable: Ln(Donation/Assets)	Low (1)	High (2)	Low (3)	High (4)	Low (5)	High (6)	Low (7)	High (8)
Preparation × Group-Succession	0.441	0.827*	−0.212	1.119**	−0.185	0.916*	−0.885*	0.832**
	(0.78)	(2.44)	(−0.60)	(2.66)	(−0.46)	(2.01)	(−2.76)	(2.17)
Group-Succession (GS)	−0.428	−0.259	−0.446***	−0.305	−0.221	−0.345	−0.618	−0.264
	(−1.00)	(−1.22)	(−2.58)	(−0.95)	(−0.82)	(−1.19)	(−1.28)	(−1.03)
Preparation (Prep)	−0.161	−0.436**	0.436**	−0.660**	0.276	−0.418	0.705*	−0.325
	(−0.31)	(−2.29)	(2.17)	(−2.07)	(0.85)	(−1.14)	(1.79)	(−1.13)
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
# clusters	18	18	12	24	7	29	5	31
Wild p (Prep × GS)	0.465	0.087	0.576	0.046	0.734	0.075	0.063	0.045
Observations	1,439	2,431	897	2,973	627	3,243	325	3,545
Adjusted R^2	0.310	0.146	0.257	0.238	0.284	0.230	0.313	0.224

APPENDIX TABLES

Table A1. Covariate Balance in the Matched Stacked Difference-in-Differences Sample

This table reports covariate balance in the matched sample used for the stacked difference-in-differences specifications. Panel A reports covariate means and standardized differences over the pooled pre-period from $\tau = -12$ through $\tau = -7$. Panel B reports the corresponding statistics separately by event time. Treated and Matched controls denote Group-Succession firms and their matched Non-Group-Succession control firms, respectively. Difference is the difference in covariate means between the treated and matched-control samples, and Std. diff. is the corresponding standardized difference. The matching procedure and stacked difference-in-differences specification are described in Section IV.A.

Covariate	Treated	Matched controls	Difference	Std. diff.
Panel A. Pooled Pre-period balance ($\tau = -12$ to -7)				
Ln(Assets)	28.00	27.04	0.96	0.64
ROA	0.06	0.06	−0.01	−0.19
Leverage	0.66	0.67	−0.01	−0.08
Tobin's Q	1.31	1.25	0.06	0.27
Panel B. Balance by Event Time				
$\tau = -12$ *(45 treated; 24 matched controls)*				
Ln(Assets)	27.74	27.25	0.49	0.36
ROA	0.05	0.04	0.01	0.27
Leverage	0.66	0.70	−0.04	−0.26
Tobin's Q	1.32	1.31	0.01	0.05
$\tau = -11$ *(52 treated; 26 matched controls)*				
Ln(Assets)	27.87	27.12	0.74	0.51
ROA	0.05	0.06	0.00	−0.03
Leverage	0.66	0.69	−0.03	−0.17
Tobin's Q	1.31	1.23	0.08	0.36
$\tau = -10$ *(56 treated; 29 matched controls)*				
Ln(Assets)	28.02	26.86	1.16	0.78
ROA	0.05	0.07	−0.02	−0.39
Leverage	0.65	0.64	0.00	0.01
Tobin's Q	1.33	1.33	−0.01	−0.01
$\tau = -9$ *(57 treated; 31 matched controls)*				
Ln(Assets)	28.11	27.11	1.01	0.67
ROA	0.05	0.06	0.00	−0.05
Leverage	0.64	0.65	−0.01	−0.04
Tobin's Q	1.33	1.14	0.19	0.69
$\tau = -8$ *(57 treated; 33 matched controls)*				
Ln(Assets)	28.18	27.14	1.04	0.68
ROA	0.06	0.06	−0.01	−0.15
Leverage	0.65	0.72	−0.07	−0.30
Tobin's Q	1.30	1.15	0.15	0.49
$\tau = -7$ *(57 treated; 33 matched controls)*				
Ln(Assets)	28.21	27.24	0.97	0.63
ROA	0.06	0.06	0.00	0.01
Leverage	0.64	0.67	−0.03	−0.16
Tobin's Q	1.33	1.22	0.11	0.30

Table A2. Preparation-Period Giving and Social-Approval Exposure: Excluding Number of Affiliates from the Index

This table reports robustness tests using a social-approval exposure index that excludes the number of affiliates. The alternative index combines standardized consumer sensitivity and sign-reversed heir age at the preparation anchor with equal weights and is averaged across succession episodes within each business group. SD denotes standard deviation. The group-level index is standardized to unit standard deviation. The number of affiliates remains included as a firm-level control in all specifications. The dependent variable is Ln(Donation/Assets), and GS denotes Group-Succession. Columns (1)–(3) use the full sample period and event windows of ±6 and ±2 years around the heir's first executive promotion, respectively. Preparation × GS × Index measures the change in the preparation-period effect associated with a one-standard-deviation increase in social-approval exposure. All specifications include the constituent terms and lower-order interactions, baseline firm-level controls, year fixed effects, and industry fixed effects. Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession* × *Social-Approval Exposure*. Statistical significance for this triple-interaction coefficient is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Dependent variable: Ln(Donation/Assets)	Full Period (1)	±6 Years (2)	±2 Years (3)
Preparation × GS × Index (1 SD)	1.520*	2.636*	2.069**
	(2.73)	(2.58)	(2.79)
Preparation × Group-Succession (GS)	1.316***	2.109***	2.457***
	(2.63)	(3.10)	(4.04)
Wild p (triple interaction)	0.062	0.055	0.013
Controls	Y	Y	Y
Year FE	Y	Y	Y
Industry FE	Y	Y	Y
# clusters	36	34	31
Observations	3,870	1,360	536
Adjusted R^2	0.233	0.245	0.246

Table A3. Preparation-Period Giving across Cumulative Social-Approval Exposure Conditions: Excluding Number of Affiliates from Controls

This table replicates Table 8 after excluding the number of affiliates from the set of control variables. The definitions of the cumulative High and Low groups are otherwise identical.

Columns (1) and (2) classify business groups (BGs) using the cross-sectional median of BG-level minority ownership. The High group is then cumulatively expanded to include business groups with a young heir, defined as the bottom tercile of BG-level heir age; high consumer sensitivity, defined as the top tercile; and a high number of affiliates, also defined as the top tercile. Once a business group enters the High group, it remains in the High group in subsequent specifications.

All regressions include the remaining firm-level controls and year and industry fixed effects (FE). Reported t-statistics in parentheses are based on standard errors clustered at the business-group level. Wild p reports the wild-cluster-bootstrap p-value for the coefficient on *Preparation* × *Group-Succession*. Statistical significance for *Preparation* × *Group-Succession* is based on the corresponding wild-cluster-bootstrap p-values; significance for the remaining coefficients is based on the reported cluster-robust t-statistics. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

	Minority		∪ Young Heir		∪ Consumer Sensitivity		∪ # of Affiliates	
Dependent variable: Ln(Donation/Assets)	Low (1)	High (2)	Low (3)	High (4)	Low (5)	High (6)	Low (7)	High (8)
Preparation × Group-Succession	0.441	0.760	−0.204	1.015**	−0.120	0.770	−0.960	0.695*
	(0.78)	(2.31)	(−0.56)	(2.55)	(−0.32)	(1.79)	(−2.57)	(1.92)
Group-Succession (GS)	−0.423	−0.282	−0.383***	−0.305	−0.247	−0.364	−0.493	−0.289
	(−1.06)	(−1.56)	(−2.75)	(−1.03)	(−0.79)	(−1.30)	(−0.96)	(−1.19)
Preparation (Prep)	−0.155	−0.417**	0.454**	−0.638**	0.271	−0.379	0.717	−0.289
	(−0.31)	(−2.35)	(2.40)	(−2.11)	(0.87)	(−1.12)	(1.64)	(−1.10)
Controls	Y	Y	Y	Y	Y	Y	Y	Y
Number of affiliates control	N	N	N	N	N	N	N	N
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
# clusters	18	18	12	24	7	29	5	31
Wild p (Prep × GS)	0.459	0.101	0.613	0.049	0.781	0.111	0.125	0.078
Observations	1,439	2,431	897	2,973	627	3,243	325	3,545
Adjusted R^2	0.311	0.142	0.257	0.234	0.281	0.223	0.302	0.219

Table A4. Variable Definitions

Panel A. Variable Definitions

Variable	Definition
Corporate Philanthropy	
Ln(Donation/Assets)	$10^3 \times \ln(1 + \text{Donation/Assets})$, where annual corporate donations are scaled by total assets before the logarithmic transformation.
Succession Characteristics	
Group-Succession	Indicator equal to one for a business group that experienced a formal family group partition or was created through such a partition, and zero for other family-controlled business groups.
Preparation	Indicator equal to one from the relevant heir's publicly reported entry into a business-group affiliate through the heir's first executive promotion, and zero otherwise.
Firm Characteristics	
Ln(Assets)	Natural logarithm of total assets.
Tobin's Q	Growth-opportunity measure constructed as (market capitalization + total assets − common equity)/(total assets + 1).
Leverage	Total debt divided by total assets.
ROA	Operating income before depreciation divided by total assets.
Ln(Firm age)	Natural logarithm of the number of years since establishment.
Number of Affiliates	Number of firms affiliated with the business group.
Ownership and Social-Approval Exposure	
Minority Ownership	Individual minority-shareholder ownership. When the individual component is unavailable following the reporting discontinuity, aggregate minority ownership is used as a proxy.
Consumer Sensitivity	Business-group exposure to consumer-facing industries. Affiliate firm-years are classified using detailed industry classifications and prespecified consumer-facing rules. The business-group measure is the average across non-preparation firm-year observations.
Heir Age at Preparation Anchor	Age of the prospective heir at the preparation anchor. The sign of heir age is reversed when constructing Social-Approval Exposure so that younger heirs correspond to greater exposure.
Social-Approval Exposure	Standardized business-group-level index combining standardized Consumer Sensitivity, standardized Number of Affiliates, and sign-reversed standardized Heir Age with equal weights. Episode-level scores are averaged within each business group, and the resulting group-level measure is re-standardized to mean zero and unit standard deviation.