

"Cooperative husband and wife" and family business performance—Empirical research based on listed companies from 2012 to 2019

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Abstract: Based on 2096 sample data of family-owned listed companies in my country from 2012 to 2019, this paper empirically analyzes the influence of characteristics such as the collaborative governance and political connection of husband and wife leaders on corporate performance. The study found that: The collaborative governance characteristics of husband and wife leaders significantly promote the performance of family listed companies, that is, husband and wife collaborative governance can improve corporate performance; in such family listed companies, the political connection of husband and wife leaders is conducive to promoting family business performance growth. The empirical results expand the research on family business performance, especially from the perspective of husband and wife controllers to verify that the characteristics of husband and wife are an important factor in promoting the growth of enterprise performance, indicating that the effective cooperation between male and female entrepreneurs and a good political background are conducive to the effective operation and sustainability of enterprises. How private enterprises break through the predicament and achieve sustainable and stable development has an important enlightening role.

Keywords:Family business; collaborative governance; political connection; enterprise performance

1. Introduction

As an important economic organization, family business has strong cohesion and vitality in my country's economy and society. After a long period of development, family businesses have occupied a very important position in private enterprises, and the research on family businesses has rich theoretical and practical significance[1].The participation of family members in company management is a typical feature of family enterprises in my country, which reduces the agency cost of the company, improves the efficiency and performance of the company's management, and and play a positive role in promoting national economic development [2]. On December 22, 2019, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Creating a Better Development Environment to Support the Reform and Development of Private Enterprises" to create better development conditions for the high-quality development of Chinese family businesses. However, with the US crackdown on China and the outbreak of the new crown epidemic, the international and domestic economic environment has become more complex and uncertain, which makes it challenging for family businesses to achieve stable and effective development through effective strategies and management. Studying the development of family enterprises has great practical significance and theoretical value for the effective management and performance improvement of enterprises and the sustainable development of the national economy.

Most scholars believe that family ownership and control are the important characteristics that distinguish family businesses from other businesses[3]. Family enterprises require family members to be the actual controllers or the largest controlling shareholders of the enterprise, so that family control rights are held by family members[4][5]. Family members, especially founders, participate in the management of the enterprise and have the actual control of the enterprise, and the agency cost of the enterprise will be reduced, thus making the value and performance of the family enterprise higher[6]. In family businesses, changes in family types and their structure will affect the

level and efficiency of corporate governance[7]. Most scholars find that the impact of family inheritance on enterprise performance is negative, and believe that the management of the second generation of the family makes the enterprise lack of competition, which leads to the decline of enterprise performance[8][9], while a few scholars believe that there is no relationship between family inheritance and enterprise performance, denying that correlation between the two[10]. There is also some literature that explores the development and performance growth of family businesses under sibling control. Scholars such as Kaplan believe that the excessive management of enterprises by siblings and other family members will have negative effects, hinder the entry of external investors, have a negative effect on the efficiency of corporate governance, affect the growth of corporate performance, and lead to the decline of family enterprises[11]. Stark found that maintaining proper business ownership among close relatives such as siblings can alleviate family conflicts, promote business innovation and growth, and improve business performance[12]. However, few literatures focus on the research on the performance growth of couple-dominated family businesses. From the perspective of the sustainable development of family business, this paper deeply analyzes how the characteristics of husband and wife leaders affect the level of business performance.

The research contribution of the paper is manifested in the following three points: First, previous researches at home and abroad have explored the relationship between family business and performance from the perspectives of ownership, control, equity structure, capital structure, etc., but few literatures From the perspective of the internal mechanism between couples and the organization of the company, the study of the influence of the trait factors of couple leaders on the performance of family business, at the same time, the exploration of the collaborative governance of husband and wife will help to enhance the in-depth understanding of the heterogeneity of family business. Second, there are many studies on the relationship between executive political affiliation and corporate performance, but few literatures have analyzed the impact of the political affiliation of husband and wife leaders on corporate performance. Third, further expand and enrich the research on family businesses, promote the development of corporate governance, economic sociology, organizational behavior, management and other theories, and provide rich resources for family businesses to break through their own governance obstacles, improve management efficiency, and promote high-quality performance growth theoretical and practical value.

2. Theoretical basis and hypothesis

2.1 Cooperative governance of husband and wife and corporate performance

In a husband-and-wife-dominated enterprise, whether the husband and wife cooperate or participate in business activities unilaterally will have different effects on family performance. Husbands and wives will continue to communicate and coordinate in family and business management, so as to urge both parties to maintain the same common interests and cognitive goals. However, some scholars believe that as a partner in the enterprise, the wife plays more of her role in the finance, marketing and other departments, and reduces the agency cost of the enterprise by balancing her role, forming a different effective mechanism on the strategic decision and performance of the enterprise and combined effects[13][14]. Through collaborative governance, the role of the husband and wife in the division of labor and coordination in the enterprise can be brought into play, differences can be reasonably managed and controlled, the risks faced by the enterprise can be alleviated, and it is easier to reach a consistent result on corporate strategic decision. A guarantee of strategic determination and perseverance to play a leading role, thus to drive the effective growth of family business performance. Based on the above analysis, this paper proposes the following assumptions:

H1: In husband and wife-led family listed companies, the cooperative governance of husband and wife plays a positive role in promoting enterprise performance.

2.2 The political connection between husband and wife and corporate performance

Private enterprises tend to actively seek political connections with the government to gain a competitive advantage to some extent. Political connection is a social phenomenon, and academic circles have not reached a consensus on its concept. Some scholars believe that the political connection of enterprises is mainly reflected in the political background of individual executives. The political experience of the leader includes the following aspects: (1) The husband and wife leader once had the experience of joining the army[15]; (2) The husband and wife leader once or is currently serving in a government agency, serving as a deputy to the National People's Congress or a member of the CPPCC[16]. Under the condition of co-governance by husband and wife, there is a logical relationship between the political connection of couple leaders and enterprise performance, which in turn affects the long-term development of listed companies. The political connection of managers enables family enterprises to obtain more government subsidies and rich resources, effectively relieve the financing pressure of enterprises, expand the market space and channels of enterprises, and to create favorable conditions for the operation and management of companies. At the same time, political connection is a channel for enterprises to obtain important market information, which is helpful for enterprises to formulate correct strategies and goals, and is also a barrier for enterprises to seek legal protection from the government. To this end, the following assumptions are made:

H2: In couple-dominated family businesses, the political connection of couples plays a positive role in promoting enterprise performance.

3. Research design

3.1 Sample size and data source

This paper mainly uses the data of family listed companies in my country from 2012 to 2019 as the research object. Referring to the literature of Wang Minglin[17], Xu Yupeng[18] and other scholars, this paper defines the standard for family listed companies as follows: ① The actual controller of the enterprise can be traced back to the family or natural person, and control $\geq 15\%$; ② At least two family members who are related to each other hold shares or serve in the management of the company; ③ When the family members hold evenly the shares, the actual controller holds a position at the highest level of the company. At the same time, this paper defines a husband-and-wife-dominated family business with the couple controllers jointly serving on the board of directors and (or) management of the family business. On this basis, this paper excludes financial and insurance companies, "S, ST, *ST" companies, companies with many missing samples and outliers. Ultimately, 2096 observations were identified for 262 husband-and-wife-dominated family businesses. According to the annual reports, prospectuses and corporate information websites, the information and data of the collaborative governance and political background of the husband and wife leaders are manually obtained. The corporate financial and performance data required in this paper are all from the CSMAR and WIND databases.

3.2 Variable description

3.2.1 Corporate performance

Indicators to measure corporate performance include basic earnings per share, Tobin's Q value, and return on total assets. Referring to corporate value, profitability, capital structure and most existing literatures using EPS to measure corporate performance, this paper uses basic earnings per share EPS as a proxy variable for family business performance.

3.2.2 Collaborative governance

In the family business, the couple manage the enterprise alone or jointly manage the enterprise will produce different levels of corporate performance. If the husband and wife serve on the

management or board of directors of the family business meanwhile or separately, it means that the husband and wife jointly manage the family business, and the variable CP takes the value of 1, otherwise it is assigned the value of 0.

3.2.3 Political connections

Political connection (PC) is an important way for enterprises to obtain information and resources and improve market competitiveness. This paper uses the following methods to measure the political connection of husband and wife-led family enterprises: If at least one of the husband and wife leaders was or is a member of the National People's Congress or a member of the CPPCC, worked in a government agency, or had military experience, it means that the family business is politically connected, and the variable takes a value of 1, otherwise it is 0.

3.2.4 Control variables

According to previous related research, there are many important factors that affect the performance of enterprises. Considering the impact of relevant factors on this empirical study, this paper sets the size of the enterprise (Size), years of family business (Age), the profit margin of the main business (GPR), the asset-liability ratio (Lev), board size (BS), the return on equity (ROE) as a control variable. In addition, considering the influence of year and industry factors on the empirical conclusions, dummy variables of Year and Industry were added. Table 1 shows the specific definition and description of each variable.

Table 1 Variable measurement and description

	Variable	symbol	Definition and Metrics
Explained variable	Business Performance	EPS	The proportion of net profit to total share capital
		ROA	Net profit divisates with total assets
Explanatory variables	Collaborative governance	CG	If the husband and wife serve in the management or board of directors of the family business meanwhile or separately, it means that the husband and wife jointly manage the family business, and the variable CG takes the value of 1, otherwise the value is assigned to 0
	Political connection	PC	At least one of the husband and wife leading person who has served in government agencies, has experienced his military experience, served as a representative of the People's Congress, or a member of the CPPCC, he said that the family enterprise has a political relationship, and the assignment is 1.
control variable	Enterprise size	Size	Natural pairing of total assets
	Business Family Age	Age	Take the business of the business to start a family-based period to the natural pair of nature of the sample period
	Operation Profit of Entirety	OPE	Divide the company's main business profit for the current year by the main business income
	Debt-to-asset Ratio	Lev	The total liabilities of the company's year are represented by total assets
	Board Size	BS	Expressed as the natural logarithm of the total number of board members
	Return on Equity	ROE	Express the current net profit of the enterprise as the owner's rights and interests
	Annual virtual variable	Year	Control the annual effect, which belongs to the year of the year, otherwise it is 0
	Industry virtual variable	Industry	Control the industry effect, which belongs to the industry 1, otherwise 0

3.3 Model building

To test hypotheses H1 and H2, the following two models are designed:

$$EPS = \beta_0 + \beta_1 \times CG + \beta_i \times X_i + \sum \text{Industry} + \sum \text{Year} + \varepsilon \tag{1}$$

$$EPS = \beta_0 + \beta_1 \times PC + \beta_i \times X_i + \sum \text{Industry} + \sum \text{Year} + \varepsilon \tag{2}$$

Among them, β_0 is the intercept term of the model; β_1 and β_i are the variable coefficients; EPS is the explained variable, indicating the performance of the family business; CG and PC are the main explanatory variables, indicating the joint governance, and the political relationship; X_i , $\sum \text{Industry}$, $\sum \text{Year}$ is the related control variable; ε is the error term.

4. Empirical analysis

4.1 Descriptive statistics for variables

The basic situation of related variables are displayed in Table 2. The average value of the dummy variable (CG) of husband and wife collaborative governance is 0.636, and the median is 1,

indicating that 63.6% of the husband and wife-led family listed companies are jointly operated and managed by couple, and the couple cooperate with each other to achieve the goal of the family business; The mean of this politically connected variable (PC) is 0.489, indicating that 48.9% of family business couples will actively establish political relations with government departments, so as to facilitate the long-term development of the company; in Table 3, the actual controller has the proportion of company control The mean value of (CR) is 43.04, which reflects that the husband and wife leaders have strong control over the company and have a higher decision-making power, which is conducive to the stability of the company. At the same time, this paper tested the variance inflation factor of the relevant variables. The results show that the maximum value of VIF of all relevant variables in this paper is 3.06, which is much smaller than 10, which means that there is no multicollinearity between the relevant variables in the regression model.

Table 2 Variable descriptive statistics

variable	N	Mean	SD	Median	Min	Max
EPS	2096	0.316	0.514	0.26	-5.52	8.09
ROA	2096	0.052	0.082	0.052	-0.834	0.779
CG	2096	0.636	0.481	1	0	1
PC	2096	0.489	0.5	0	0	1
Size	2096	21.98	1.142	21.81	19.65	26.50
Age	2096	1.681	0.688	1.792	0	3.258
GPR	2096	0.173	1.883	0.092	-4.408	59.78
Lev	2096	0.376	0.199	0.36	0.014	1.238
BS	2096	2.073	0.176	2.197	1.609	2.708
ROE	2096	0.049	0.263	0.067	-7.081	0.874
INS	2096	33.66	25.27	29.88	0.0007	93.75

4.2 Regression test analysis

4.2.1 Cooperative governance of husband and wife and corporate performance

In the model (1) column of Table 4, the regression coefficient of corporate performance and collaborative governance is 0.293 and is significant at the 1% level, thus verifying Hypothesis 1. Based on the highly consistent marital relationship and interest goals, both husband and wife have a strong sense of family mission and responsibility. Taking the overall interests of the family as the core, they balance their roles and tasks in the company, strive to enhance the efficiency of company management, and advance the continuous progress of the family business. The husband and wife cooperate closely and jointly manage, continuously reduce the company's operating costs and various risks, and maintain close communication and cooperation in the company's major decisions, thereby promoting corporate performance growth.

Table 4 Empirical Results of Fixed Effects Model

	Model (1) EPS	Model (2) EPS
CG	0.293*** (7.54)	
PC		0.151*** (4.23)
Size	0.115*** (3.27)	0.118*** (3.35)
Age	-0.194*** (-6.63)	-0.202*** (-6.67)
GPR	0.037 (1.02)	0.046 (1.09)
Lev	-0.284** (-0.72)	-0.305** (-2.37)
BS	-0.174* (-1.79)	-0.178* (-1.86)
ROE	0.792*** (4.41)	0.852*** (4.21)
INS	0.003*** (2.98)	0.003*** (3.09)
Constant	-1.68** (-2.04)	-1.585* (-1.89)
Year/Industry	Yes	Yes
R ²	0.452	0.417
N	2096	2096

Note: The coefficients in the table are standardized coefficients, and parentheses are t (or z) test values. *, **, and *** signify significance at the levels of 0.1, 0.05, and 0.01, respectively, the same below.

4.2.2 Spousal political connections and corporate performance

In the model (2) column of Table 4, the regression coefficient of corporate performance and the political relationship between husband and wife is 0.151 and is significant at the 1% level, that is, hypothesis 2 has been verified. In order to obtain abundant social resources, improve market competitiveness, and reduce the impact of changes in the external environment, most companies will actively seek to establish political connections with government agencies and officials.. The political connection of husband and wife leaders can help enterprises to open up unique channels, so that enterprises can give priority to the important resources, preferential policies and market information they need, make up for the shortcomings in the operation and development of enterprises, and provide enterprises with innovation, investment and financing. As well as strategic decision-making to create a good environment, promote the improvement of corporate performance and sustainable development.

5. Conclusions and implications

From the perspective of husband-and-wife-led family business, this paper takes the listed companies in my country from 2012 to 2019 as the research object, and empirically tests the effect of characteristics such as husband and wife collaborative governance and political connection on corporate performance. The study found that: (1) In family listed companies, the collaborative governance between the couple leaders has a obvious active impact on corporate performance, which means that the collaborative management of the company by husband and wife can improve corporate performance; (2) the husband and wife's cooperative management There is a active

connection between political relevance and corporate performance, indicating that husband and wife entrepreneurs have a certain political background can promote the growth of corporate performance. This research promotes the development of corporate governance, management and other theories, and is of great significance to how family businesses can effectively improve performance and achieve sustainable development of the national economy. In addition, by studying the relationship between the characteristics of husband and wife leaders and the performance of family enterprises, it provides important practical enlightenment for the stable development of private enterprises in my country: (1) The cohesion and unity within the companies are the foundation of the sustainable progress of the enterprise. Reasonable division of labor and cooperation can improve the efficiency of enterprise management and help the enterprise to make scientific and effective strategic decisions (2) When enterprise controllers and executives pay attention to the internal management affairs of the enterprise, they should also pay attention to the market information outside the enterprise, and are good at cooperating with the government. Departments and officials establish good political relations to frame a favorable business circumstance for the long-term growth of enterprises.

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