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Founder Succession, The Imprint of Founders' Legacies, and Long-Term Corporate Survival

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Received: 24 April 2018; Accepted: 7 May 2018; Published: 9 May 2018



Abstract: This study aimed to portray how founders' legacies influence the long-term survival of companies. We argue that the imprint of founders' legacies can be positive strategic inertia for long-term corporate survival. By analyzing the characteristics of the founder succession processes of a set of 64 paired (survival-delisted) Korean Exchange listed companies, this study examined whether the founder succession characteristics that led to strong founder's legacy imprints positively influenced long-term corporate survival. The results showed that firms with longer founder tenure and those with insider succession or succession of an heir apparent tended to survive longer, given similar environmental conditions during the founding stages. While limited, the study results indicate that companies that establish strong legacies from their founders and adhere to them may have a greater likelihood of long-term survival.

Keywords: founder's legacy; corporate long-term survival; imprinting effect; founder succession

1. Introduction

Management research has accumulated a large body of empirical evidence about the influence of founders on the initial survival of start-up businesses [1–3]. Yet the persistence of founder influence in organizations leading to the long-term performance or survival of the businesses has received little systematic examination, although many scholars acknowledge the significance of the founder's role in organizations [4,5].

Founders are considered to make the initial decisions regarding the firm's mission, goals and strategies that influence the firm as it grows and evolves [6–8]; thus, it may be natural that the founder's role and influence can be seen in various aspects of management practices in firms even after the founder has died or left [5]. According to [9], founders often start with a theory of how to succeed, based on their own prior experience in the culture in which they grew up, and typically have strong assumptions about the nature of the world and the role their organization will play in that world (p. 3). Therefore, during his or her tenure, the founder will have a major impact on how the company solves its external survival and internal organizational problems [9]. Thus, founder's practices that worked well to solve problems will naturally become unconscious assumptions in the company, be taught to new organizational members as the correct way to follow, and influence management style which affects both the development of the business and ability to respond to environment changes [8,9]. In fact, in many long-lived firms, founders seem to place a lasting stamp that influences the strategies and behaviors of their firm [10–12]. The values, vision, and behaviors of founders are often imprinted on start-ups and can prevail beyond the founder's departure [13,14].

Despite growing interest in corporate sustainability, research on corporate long-term survival is still in its infancy [15]. Management research has mainly focused on the financial aspects of corporate performance; however, with increasing demands for corporate social responsibility or the triple bottom line, scholars have started to consider the interests of various stakeholders and the term corporate

performance has been extended to include not only financial aspects, but also social and environmental ones [16,17]. Notwithstanding this growing interest in corporate sustainability, limited research so far has explored the determinants of long-term survival that may substantially differ from the determinants of financial performance [18–20].

In this regard, the current study aimed to contribute to filling a major gap in the literature on the influence of founders and their impact on the long-term survival of companies. According to [21], strategic legacy rooted from the founder may be of some beneficial inheritance to the company over the next few centuries. Several studies on the causes of long-term survival of family firms also support this inference [22,23]. According to [23], who authored Centuries of Success: Lessons from the World's Most Enduring Family Businesses, one of the secrets of family businesses' long-run survival is companies' adherence to their founding missions and traditions. In a study of successful family firms, Miller and Le Breton-Miller [22] argued that successful family-controlled businesses attach to a substantive mission and make investments that allow the achievement of that mission regardless of environmental changes. On the other hand, a founder's legacy is established by the initial strategies that employ the firm's resources and confine the firm's strategic direction. Thus, from an ecologist's perspective, founders' legacies may negatively influence firms' adaptive abilities, and, therefore, function as negative strategic inertia in the face of environmental change [24,25]. For example, an old identity or an outdated organizational culture rooted from the founder may lead core rigidities that prevent the company from adapting to changing market conditions. Therefore, studying the impact of the double-edged sword nature of founder legacy on corporate sustainability invites empirical examination.

The primary purpose of this study was to investigate the effect of a founder's legacy on corporate long-term survival. We define founder's legacy as the enduring influence of the initial strategic practice or ideology of the founder of an organization over the actions of successive strategic decision makers following [21]. In particular, we investigate whether the inheritance of founders' strategic legacies enables firms to maintain viability over subsequent generations by examining the founder succession processes of these firms. Many theorists suggest that executive succession is a primary means of overcoming inertial forces and initiating strategic change [26–28]. This is because management succession is an event of great consequence that causes significant changes in the strategic orientation, routines, and competitiveness of the organization [29–32]. In this regard, founder succession can be considered as an important event to decide whether firms adhere to the legacies of the founder or discard the legacies and initiate strategic changes. Thus, we explore the characteristics of founder succession that lead to a strong imprint of the founder's legacy and examine whether firms with such founder succession characteristics have any advantage for long-term survival, thereby inferring the impact the founders' legacy imprints on firms—whether the impact is a positive strategic legacy or negative inertia.

This study provides several important implications. First, this study is meaningful in that it is one of the initial studies to analyze the effect of founder influence on long-term corporate survival. Despite the importance of founder role in corporations, few papers to date have attempted to examine founder influence in relation to long-term corporate survival [20]. Second, this study holds significance in that it implies that the effect of founding conditions on survival persists for a certain period after founder succession, providing meaningful implications for research on the imprints of the initial conditions of a firm [13]. Lastly, this study is expected to make a valuable contribution to the causes of corporate longevity [15,18,33], which is an understudied topic in management research.

This paper is structured as follows. The following section outlines the theories and hypotheses of the study. Then, Section 3 explains the data and empirical approach used in this study. Section 4 combines the results of *t*-tests, Chi-Square tests, and Cox regression analysis and Section 5 discusses the research conclusions and implications.

2. Theory and Hypotheses

2.1. The Imprint of Founders' Legacies and Long-Term Corporate Survival

Imprinting refers to a process in which events occurring at certain key developmental stages have persisting—possibly lifelong—consequences [34] (p. 132). According to [35], organizations tend to be influenced by their founding conditions, partly due to the important role of the founder in the organization. Founders develop initial strategies to meet the needs of the environmental conditions at founding, from which change may be costly. Therefore, the founding conditions for a company have lasting structural influences, despite significant environmental changes in later stages [34,35]. The imprinting literature argues that these imprinting effects last up to several decades [36–39].

The manner in which founders' legacies are imprinted on companies can be inferred as follows. First, the role of founders is important not only in creating the initial visions and strategies of their company, but also in shaping the culture and internal consensus around which future strategies are developed [29]. The personal assumptions of founders, therefore, come to be shared by other members of the organization and remain widely held even after the company has grown dramatically and undergone many changes in leadership [9]. Second, firm strategy strongly influences the resources of young firms [40], and founders and top management may also be likely to differ in their ability to acquire and exploit resources. Thus, commitment to initial strategies may limit the range of future development of firm resources, which will result in the continuity of founding strategies.

How do founders' legacies affect the long-term survival of a company? Organizational adaptation to changing environmental forces has been argued to be a key challenge of corporate survival [18,25]. By emphasizing the role of the environment in firm survival, ecologists assert that the environment selects out unfit organizations [25]. Thus, organizational inertia, which in many cases is critical to a firm's initial survival, may become harmful in the later stages because misalignment with the environment may expose firms to the liability of obsolescence [24].

While these studies imply that founders' legacies may become a liability in the face of shifting competitive conditions, Ogbonna and Harris [21] found that strategic inertia tied to the founder may be a beneficial inheritance to the company over a few centuries if it constitutes strategic legacy in the form of a general guiding principle for later management. Several studies of long-lived family firms also support this inference [23,33]. Therefore, we conjecture that some benefits of inheritance of founding practices may be positively associated with long-term corporate survival, based on three major factors.

First, sticking to the founder's long-tested ways of doing business may help enhance management stability, as it helps firms develop strong routines [41,42] which promote standardization [43,44] and the avoidance of failure [45]. By sticking to their hitherto successful ways of doing business, firms may become less exposed to newly emerging threats posed by current and potential stakeholders. If legacies from forefathers work as routines, they may become important sources of accountability and political protection [46,47], thereby helping the company survive turbulent times. It has been well noted in the broader organizational adaptation literature that changes to multiple organizational processes can be detrimental to survival [48,49].

Second, adhering to a long-time founding mission may encourage firms to develop long lasting, stable businesses, thereby enhancing long-term viability. Previous studies support this idea by showing that successful family businesses concentrate on a substantive mission attached to a specific purpose, and do not stray from that purpose [22,23]. According to [22], the managers of family firms view their businesses from a long-term perspective and are inclined to make farsighted investments. Additionally, they tend to build long-term alliances with major suppliers and customers, to give future generations a solid business platform to take over from [23]. Surely some entrepreneurial challenges may improve performance and sticking to a founding mission may deprive companies of higher growth or more profitable opportunities along the way [20]; however, it is also plausible that companies enhance survivability by sticking to familiar missions, as wrong challenges may lead to fatal disasters [50].

Third, the inheritance of a founding ideology may influence firms' stakeholder relationships positively, as firms recognize better their purpose of existence and their role in society. According to [33], members in long-lived companies understand their corporate identity clearly and try to evolve harmoniously with their people and the society instead of trying to maximize their shareholder benefits. While great firms continuously evolve and change in their business fields and arenas of competition, they nevertheless stick to their core values, which set the direction in which they can evolve and progress [10]. By committing to core values rooted in the founding ideology, firms may thus become socially accepted entities, able to successfully continue operation in the long term. Indeed, founding ideologies of long-lived companies tend to have a strong, broad emphasis on corporate social responsibilities rather than simply on economic considerations [20,51].

Imprinting theory states that important features that are introduced by a founder can become imprinted on organizations, and that imprinted features can endure beyond the tenure of those who worked directly with the founder [52,53]. This may be understood as routinization of the founder's legacy in the form of main management practices in the organization, which is crucial for an organizations' performance and survival [41,54]. Thus, we suggest the following hypothesis:

Hypothesis 1. *Firms with stronger founders' legacies are more likely to experience sustainable survival after founder succession, compared to firms with weaker founders' legacies.*

2.2. Succession of Founders' Legacy and Long-Term Corporate Survival

Generally, founder succession is considered an important process directly related to the survival of a firm [55,56]. A commonly cited statistic in family firm research suggests that the ratio of family firms surviving to the second generation is only 30% [57]. Indeed, founder succession is one of the most crucial events in the life of any company due to the substantive and symbolic importance of the founder's role [58].

The departure of founders can be detrimental for organizational survival because founders who tie their personal fortunes to their organizations tend to work diligently to develop their managerial skills, which usually yields superior performance [59,60]. According to several studies, organizations' strategic orientations often change after the departure of founders [61–63]. When succession occurs, the successor can fundamentally alter the knowledge, skills, and interaction processes at the top of the company [49], causing significant changes in the organization. Leading researchers of organizational learning and adaptation warn about the potential dangers of these changes associated with exploratory activities because, although correct decisions can substantially benefit organizations, wrong ones can "lead to major disasters" [50]. Therefore, a significant change in strategic practices after founder succession may cause a negative effect on a firm's survival.

The outcomes of founder succession in relation to their legacies, whether successive managers adhere strongly to their legacies or not, will be dependent on the specific organizational context in which they occur. In this regard, we expect an insider who has grown and been educated within a company and thus has a good understanding of the company's culture and the founder's philosophy, and, similarly, an heir apparent who has a strong incentive to keep a company's traditions, are expected to strengthen the founder's legacy in the second generation.

2.2.1. Insider Succession

Previous studies give 'home grown managers' as one of the important characteristics of long-lived companies throughout their history [10,33]. They posit that the benefits of having internally grown managers are better understanding and pursuing the company's long-term mission and goals, thereby helping to enhance management stability and sustainability.

Prior succession research has primarily argued that insiders who are promoted from within a company are associated with fewer organizational changes, compared to outsiders who are selected

from outside the company [26,63,64]. Many empirical studies also provide a great deal of evidence that successors are more likely to make strategic changes if they are outsiders [27,65–67]. In general, an insider is considered to cause less disruption to the company's structure than an outsider and is less likely to build a whole new executive team, thus, organizational turbulence associated with leadership change is potentially reduced with insider succession [68].

According to [59], organizations' strategic orientations often change after founders' departure, partly because successors usually come from outside the organization. It is plausible that adherence to founders' legacies may delay organizational adaptation in competitive environments and thus limit a firm's growth, where firms must change their products and capabilities to stay competitive. However, the strategic continuity bred by insider succession may help companies develop long-lasting capabilities [69] and survive management crises [15]. Thus, we suggest the following hypothesis:

Hypothesis 2. *Firms that follow a process of insider succession are more likely to experience sustainable survival after founder succession, compared to firms that pass succession to outside managers.*

2.2.2. Succession to Heir Apparent

According to [23], one of the key characteristics of long-lived *companies* is that they have followed a practice of eldest-son succession. The reason for transferring management authority to the eldest son may be due to the incongruity that develops in the family system [70], often impacting the business in the long term. One advantage of eldest-son succession is the benefit of having an heir apparent who is prepared for a substantial time before succession [71]. Appointing an heir apparent signals stability to stakeholders because the succession process is under control, thus the organizational turbulence associated with leadership change is potentially reduced [68]. Many studies posit various benefits of appointing an heir apparent, such as facilitating power transition to the new successor [71], obtaining on-the-job training which may reduce the performance risk resulting from a new successor's lack of context-specific skills [72], and reducing the chance of mismatch between a new successor and a firm, which should have a positive impact on post-succession firm performance [73].

In studying failed companies, [51] argued that non-heir apparent successors tend to implement drastic strategic changes to prove their management leadership and acquire legitimacy from family and stakeholders. These successors pursued company expansion aggressively through new and unrelated businesses, which caused fatal risks to the company. This may be owing to successors with a new perspective who are trying to make their mark within the organization [74]. The drastic strategic change of an organization may increase its risk of failure by setting back the liability of the newness clock [75] or by losing external legitimacy [76]. Thus, we conjecture that the succession of an heir apparent will provide more stability, and thus higher firm probability, than will other types of succession, and suggest the following hypothesis:

Hypothesis 3. *Firms that pass founder succession to an heir apparent are more likely to experience sustainable survival after founder succession, compared to firms that pass founder succession to managers other than the heir apparent.*

3. Data and Methods

3.1. Sample

The population of this study was selected from Korean Stock Exchange (KSE) listed companies. As this study aimed to find the causes of corporate long-term survival, the sampling frame included both survived and failed companies. Organizational failure was defined as when an organization's ability to compete deteriorated in a way that threatened its viability and was associated with organizational mortality, exit, decline, bankruptcy or loss of viability [77,78]. We regarded the delisting

of a company as indicating its failure in this study. As this study targeted listed firms, the event of delisting could be seen as an appropriate proxy to measure corporate failure, considering the influence of delisting on shareholders and stakeholders. The KSE mandates delisting regulations and requires companies that do not meet certain criteria to be delisted. The primary criteria are related to financial performance, for example, bankruptcy, impairment of capital, and several consecutive years of operating losses. We are aware that the delisting of a company is not necessarily indicative of its failure as there may be cases in which a company files for a voluntary delisting to go private. However, according to KSE data that has classified delisted companies by reasons for delisting since 2000, less than five percent of companies belonged to these cases; therefore, we did not separate our data based on reasons for the whole period. Some previous studies have also used the delisting of a company as a proxy measure of its failure to survive [15,79].

The baseline listing year of this sample was 1978, which includes every major firm that was founded from the beginning of Korean corporate history. All data were gathered mainly from secondary sources—Annual Report of Korean Stock Exchange Listed Companies; Company History Book; JOINS People Information; Yunhap News People Directory; and several statistics from the Korean Statistical Information Services.

3.2. Statistical Methods

We used a matched-pair design to test our hypotheses. The matched-pair sampling design has been popularly used in the study of bankruptcies (e.g., [80]) organizational failure (e.g., [79]), and long-term survival (e.g., [81]). While it has the potential for bias in the estimates arising from nonrandom sampling (i.e., sampling of the dependent variable), a matched-pair design provides several benefits. The most obvious benefit is that by selecting sampled companies based on their size, founding year and industry, one can control for the confounding factors of size, age, and industry, which all are argued as the main causes of firm survival. According to [80], the matched-pair design may be the only feasible way to statistically study a sample of large bankruptcies due to the small number of large corporate bankruptcies, and there are no qualitatively different conclusions between the results driven by matched-pair samples and those acquired by random samples.

The central part of the research design was to identify survival (remained listed) twins for each failed (delisted) company. As a first step, we identified delisted companies from the sampled companies. Among the 355 firms listed in 1978, we excluded firms in the financial sector for the reason that the survival of financial companies may have been distorted as they were mostly founded and tightly controlled by the government. Out of the remaining 308 firms, 118 firms had been delisted and 190 firms remained listed in 2011.

Next, we tried to identify the matched survival for each delisted company. The central part of the research design was to identify survival (remained listed) twins for each failed (delisted) company. We used founding year (age), founding capital (initial size), and industry sector (population) as the criteria for selecting matched pairs. In most previous survival studies, age and size are seen as a definite variable that influences corporate survival rate [34,82,83]. We considered companies that varied in their founding year up to five years, to be established at the same point of time. We used inflation-adjusted founding capital as a measure of the initial size of the company. We used the Producer's Price Index (Korean Statistical Information Services, 1910–2011) for the calculation. Those companies whose absolute value of the difference in founding capital, in logarithm, was within the range of 0.03, were considered similar sized firms. To control for industry sector effects of factors such as density dependence, strength of competition, and industry life cycle on corporate survival rate—these effects were assumed as significant in many previous studies [84–86]—the industry sector variable was also used as a criterion. With delisted companies as our reference point, we confirmed that companies that satisfied these three criteria and were highly similar in terms of their subfields within the industry were used as our samples.

The matching process sorted 152 companies (76 matched pairs). The 76 matched pairs came from the following sectors: 10 food and beverage, eight wholesale, 11 machinery, five basic metals, three non-metallic, nine textiles, nine chemistry, one fishing, two transportation, four paper and wood, and 12 construction. The founding years of the final 152 companies were varied from 1953 and 1969, and the first delisting occurred in 1979. Among the 76 matched pairs, those pairs in which the survivor underwent founder succession after its unsuccessful counterpart became delisted were not appropriate for comparing the impact of founder succession within the pair. Thus, we selected only those pairs in which the survivor underwent founder succession before the counterpart company became delisted. A total of 64 companies satisfied this criterion and were used in the actual analysis.

The analyses conducted in this study were as follows. First, we conducted paired *t*-tests in order to test Hypothesis 1, to find the difference in founder tenure between companies that survived and those that did not. Then, we carried out a Chi-Squared test in order to identify the difference in the frequency distribution between surviving companies and unsuccessful ones, according to their types of succession, as tests for Hypotheses 2 and 3. Additionally, we conducted Cox proportional hazard regression analysis to assess the independent and combined effects of focal and control variables on long-term corporate survival. We applied Cox regression analysis to help infer the imprint of founders' legacies and their effects on corporate long-term survival, as a supplementary test.

3.3. Measures

3.3.1. Focal Variables

Founders' Legacies. We used founder tenure to measure the strength of founders' legacies. While a range of factors appeared to exert an influence, the length of founder tenure emerged as particularly important to encourage the establishment of the legacy of the founder [29]. In most Korean firms, concentrated ownership structures are common, thus a founder may stay in an organization for a long time, even with a level of performance lower than expected, due to ownership entrenchment [87]. Therefore, founder succession may be more than just a decision in response to firm underperformance, especially when the founder has a high level of involvement with the board, unlike in firms with widely scattered ownership structure. However, it is natural that the commitment of founders to their paradigms gradually increases during their tenures regardless of performance because longevity itself signifies correctness, or at least adequacy [74]. Therefore, with an increase in office tenure, founders may gradually increase their commitment to a specific strategy or ideology, and over time, the selected strategy or ideology may become a strong legacy in the organization. We acknowledge that in order to appropriately measure the imprint of founders' legacies, it would have been useful to conduct a survey of current employees to identify how well firms kept the founding visions, objectives, and business practices after the founder left. However, since the study sample included both survived and failed companies and we were not able to conduct an employee survey of failed companies, such a direct measure approach was not feasible for this study.

Generally, the process of intergenerational transfers appears to begin from the moment the founder starts to think about leaving and lasts until the predecessor officially retires from the business [88,89]. Thus, we regarded founder succession as occurring when a successor officially took over the chief decision maker role in the management team, either as CEO or Chairperson. To calculate founder tenure, we first took the representative CEO and largest shareholder name from the Annual Reports of the Korean Stock Exchange Listed Companies. Then, we used the JOINS People Information database to find each founder and/or successor's professional career profile. The JOINS People Information database provides each businessman's career, including all go-through positions; thus, we were able to collect succession-period data. For founders and successors who were not included in the JOINS database, we searched the Yunhap News People Directory 1983, which provides similar information on business executives. The Yunhap News People Directory 1983 has been published since 1981 and thus includes executive information too old to be included in the JOINS database.

Other than these two primary databases, we also referred to the Businessman Database (Korean Listed Companies Association, 2001). Since there are usually no available databases that provide pre-IPO information about delisted companies, such as a detailed profile of the founder, etc., we first checked the information on the CEOs and major shareholders of these companies at the time of their IPOs, and tried to identify their founders. Based on these three data sources, we could identify the founders of 141 companies out of 152.

Insider Succession. Next, in order to determine the mode of succession, we tracked the successor's profile in the same way as we did the founder's. We considered a successor as someone who had been in charge of the 'officer' position for two years prior to succession as an insider. We treated cases of acquisition, where both ownership and CEO changed simultaneously, as outsider succession.

Succession to an Heir Apparent. In Korean firms, succession processes generally follow the primogeniture criterion, according to which the eldest son eventually takes over the leadership. This might be attributable to Korean culture, which is male oriented and has a strong reliance on primogeniture as the rule for leader succession [90]. We considered the eldest son of the family as the heir apparent of each company. Thus, we divided the succession cases into eldest-son succession and others (e.g., succession to later-born sons or other family members or to professional managers). The relationship between the founder and the successor was taken from the JOINS People Information database, as well as from several articles that analyzed the marital networks of major Korean executives. Eldest-son succession cases were coded as 1, and all other cases, such as succession by a son other than the eldest, wives, cousins or relatives, and professional managers, were coded as 0.

3.3.2. Control Variables

Age. In previous studies, age has been shown to influence corporate survival rate significantly [34,82,83]. The age of each firm at the end of the baseline year was calculated by subtracting its founding year from 1978.

Size. Many studies (e.g., [82]) also regard size as a common factor influencing the corporate survival rate. The logarithm of total assets at the baseline year was employed to measure each firm's size.

Profitability. Profitability is another major factor influencing corporate survival [85,91]. The average value of the return on assets for the three-year period immediately prior to the baseline year was used as a profitability index, to incorporate a measure of firms' financial history and to mitigate influence from an unusual performance result of a particular year.

D/E Ratio. Previous studies have indicated that financial conservatism is related to corporate longevity [33,51]. The average value of total liabilities over total equity for the three-year period immediately prior to the baseline year was used to capture the characteristics of management.

Industry. Business sectors at the year of baseline year were coded as INDUSTRY dummy variables. Industry sectors were divided into two groups—those that belong to the manufacturing industry and all others—and were coded as categorical variables for the multivariate analysis.

4. Results

4.1. Means, Standard Deviations and Correlations

Table 1 reports the basic statistics and correlations of the variables. Average founder tenure was 28.96 years for surviving companies and 21.78 years for delisted companies. The percentage of companies practicing insider succession was 74% for surviving companies and 47% for delisted companies. The high insider-succession ratios may be because it was not common for Korean companies from the 1970s to the 1990s to recruit professional managers from outside, with the limited development of external labor markets. The ratios of eldest-son succession for surviving and delisted companies were 56% and 24%, respectively. One interesting finding was that founder tenure and initial growth were negatively correlated, which may be an indication of the argument that economic

performance and survival are not always synonymous [92–94]. Founder tenure was positively and significantly associated with eldest-son succession and insider succession.

Table 1. Summary statistics and correlations.

Variables	Mean	S.D.	1	2	3	4	5	6
1. Survival	0.50	0.50	1					
2. Initial Size (log)	5.52	0.72	−0.04	1				
3. Initial Growth	0.25	0.26	0.03	−0.60 **	1			
4. Founder Tenure	25.3	10.5	0.27 **	−0.04	−0.15 *	1		
6.Heir Apparent Succession	0.40	0.49	0.24 **	0.07 **	−0.01	0.21 *	1	
7. Insider Succession	0.60	0.49	0.31 **	0.04	−0.03	0.27 **	0.63 **	1

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

4.2. Matched-Pairs T-Tests

Table 2 shows the results of paired *t*-tests. The paired *t*-test results indicated that the survivor companies had significantly longer founder tenure than the delisted companies. Thus, Hypothesis 1 was supported. Also, age (founding year) and initial size (founding capital), the baseline thresholds we used for matching, showed no significant difference, which provides evidence that the sampling was appropriate.

Table 2. Results from paired *t*-tests.

Variables	Survival	*n*	Mean	S.D.	*t*
Founder Tenure	Listed firms Delisted firms	64	28.79 21.73	10.07 9.68	4.774 ***
Initial Size	Listed firms Delisted firms	64	5.50 5.55	0.66 0.72	−0.399
Founding Year	Listed firms Delisted firms	64	1960.99 1961.03	6.59 6.48	−0.168

*** $p < 0.01$; ** $p < 0.05$, * $p < 0.10$.

4.3. Chi-Square Tests

Table 3 shows the results of Chi-Square tests. The results indicated that the survivor companies had significantly more insider succession, as well as first-son succession, than the delisted companies. Thus, Hypotheses 2 and 3 were supported.

Table 3. Results from Chi-Square tests.

Variables	Survival	*n*	Insider	Outsider	Chi-Square
Insider succession	Listed firms Delisted firms	128	46 28	15 31	8.76 ***
Variables	**Survival**	***n***	**First Son**	**Others**	**Chi-Square**
First-son succession	Listed firms Delisted firms	128	33 15	28 44	9.73 ***

*** $p < 0.01$; ** $p < 0.05$, * $p < 0.10$.

4.4. Multivariate Findings

In addition to the above tests, we applied Cox proportional hazard regression analysis to assess the independent and combined effects of the variables as in [80]'s study. From the Annual Reports of

Korean Stock Exchange Listed Companies we could collect financial information from the sampled companies in the baseline year; thus, we included some additional variables to understand the impact of performance and management practice characteristics on long-term survival. The Cox regression model has the advantage of including censored data in the estimation of the survival function, thus it was applicable for this study as the firms that continued to be listed until 2011, the end point of the research period, were processed in the right-censored state. The Cox regression results are presented in Table 4.

The results generally supported the univariate tests. The findings for founder tenure and insider succession closely mirrored those obtained with paired *t*-tests. Thus, Hypotheses 1 and 2 were supported. Also, the results showed that firms with higher profitability tended to have higher survival chances, which is supportive of the general findings of previous survival research. However, age and size did not show any significant effect on long-term survival. This may be because the sample included only established firms which survived their early mortality peak [95] and for established firms, age and size do not affect organizational viability. This result is consistent with previous studies which predict that the exit rate of older firms monotonically declines to a positive asymptote [96,97].

Table 4. Results of Cox Regression Analysis.

Variables	Model 1		Model 2		Model 3	
	Coef.	Std.Err.	Coef.	Std.Err.	Coef.	Std.Err.
Focal Variables						
First-Son Succession (H3)					−0.84 ***	0.31
Insider Succession (H2)			−0.55 **	0.28		
Founder Tenure (H1)	−0.05 ***	0.01	−0.04 ***	0.01	−0.04 ***	0.01
Control Variables						
ROA	−6.59 **	3.23	−5.71 *	3.22	−5.62 *	3.26
D/E Ratio	−0.18 **	0.09	−0.17 **	0.08	−0.17 *	0.09
Age	0.03	0.02	0.03	0.02	0.03	0.02
Size	0.05	0.36	0.21	0.36	0.20	0.36
Industry (Manufacturing)	−0.05	0.32	−0.08	0.32	−0.07	0.32
Model LL ratio (df)	20.93		24.83		28.76	
LL ratio improvement (df)			3.9 (1)		7.8 (1)	

*** $p < 0.01$; ** $p < 0.05$, * $p < 0.10$, Industry dummy is compared to non-manufacturing.

5. Conclusions and Discussion

By comparing the founder succession processes of survived–failed company sets, this study found some support for the idea that the imprint of a founder's legacy is positively associated with the long-term survival of a company.

Firstly, this study provides various meaningful implications for the subject of corporate sustainability in that it is one of the first studies to analyze the effect of founder influence on long-term corporate survival. Despite the argument that long-term survival is the ultimate criterion for organizational performance, the question of how companies survive environment turbulence and overcome management crises and obtain corporate sustainability has eluded most scholars, with the exception of a few studies [15,23]. The study results were supportive of the idea that the sustainable survival of companies is not always determined by economic performance [15].

Secondly, in this paper, we argued that the legacy of a founder plays an important role in forming organizational routines that define a set of management principles and help enhance corporate survivability [98]. The legacies of founders thus may be considered as positive strategic inertia, contrary to ecologists' perspectives [24,25]. In this respect, this study provided an interesting insight which may advance the theory of strategic inertia and calls for more in-depth investigation.

Thirdly, the results from this study indicated that the impact of founders' legacies may persist for a certain period after their departure. The significance of initial conditions on corporate evolution has

been argued by many strategy scholars [13,99–101]. However, only a few studies have been conducted to investigate how companies grow and change after their founding. Thus, our study findings will certainly enable a better understanding of how companies evolve and develop strategies based on their initial conditions.

Finally, this study posited that insider succession and eldest-son succession can be a useful management practice for strengthening the imprint effect of a founder's legacy. According to [102], in many family firms, founders try to perpetuate their legacy and ensure continued family control through intergenerational succession. It has already been argued by numerous previous studies that long-lived companies tend to choose their successors internally among their existing executives [10,33]. Also, O'Hara [23] proposed that long-lived family businesses adhere to the principle of eldest-son succession. Based on the results of this study, it can be inferred that the reason why this mode of succession is found more often in long-lived companies is probably because the successor is more likely to appreciate the founder's philosophy and keep on implementing the founding practices in insider succession than in other modes of succession. This study thus may provide some legitimacy for family firm managers who want to pass the baton to their children, as our findings indicate that within-family succession may enhance the positive imprint of a founder's legacy, although this needs further verification.

This study also had some limitations which served to provide suggestions for future studies of corporate long-term survival. Firstly, while the study results suggested that founders' legacies may have a long-lived impact on corporate survival, we only found evidence for the effect persisting for several decades after founder succession, not necessarily forever. Thus, future studies are needed to examine whether the impact of founder's legacies persist over time and positively influence firms' survivability once firms have gone through multiple successions. Secondly, studies of long-lived companies in other countries may be beneficial to verify the study results. Considering that the effect of founders' legacies may be generally stronger in family firms, there is a possibility that the results were affected by the high ratio of family firms among Korean companies. Also, the relatively short history of modern corporations in Korea may have limited the findings. Thirdly, given the potential bias in the estimate from the nonrandom samples, one may need to collect time varying data to control any possible confounding factors, such as firm performance in terms of size and profitability, changes in industry competition, and some institutional influences. The time varying data would provide significant benefits by making it possible to analyze the exact causal relationships among variables with classical survival analysis methods such as Kaplan–Meier estimates or Cox regression with time varying covariates.

Funding: This research received no external funding.

Conflicts of Interest: The author declares no conflict of interest.

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