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Disclosures Strategy of Family Succession CEOs Prior to Stock-financed M&As

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Abstract

This study extends the extant literature on family socioemotional wealth to complement the research regarding family businesses and M&As by discussing why the family succession CEOs manage disclosures through the release of good news before stock-financed M&As. Meanwhile, we incorporate family involvement in top management teams and ownership, as well as a firm's performance aspiration gap, to further illustrate why the intentions of disclosure management are heterogeneous among family successors.

The results show that a family succession CEO is more likely to release good news prior to stock-financed M&As. We also found that family involvement and a firm's performance below the aspiration level enhance the family successors' intention regarding disclosure management. Moreover, family successors who release good news generate better post-M&A performance, implying that the intention of family succession CEOs to manage disclosures is more likely to reduce information asymmetry rather than solely pursue self-interest.

Keywords: disclosure management, family involvement, family succession CEO, performance aspiration gap, socioemotional wealth

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家族繼任CEO股權融資併購前之資訊揭露策略

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摘 要

本研究延伸現有社會情感財富觀點文獻，探討家族繼任CEO如何影響股權融資併購前意圖釋放好消息的資訊揭露策略，以補充現有家族企業與併購之相關文獻。本研究進一步納入家族涉入高階團隊和股權程度以及公司績效缺口，討論為何不同之家族繼任CEO在股權融資併購前釋放好消息的意圖具有差異性。研究結果發現家族繼任CEO於股權融資併購前傾向釋放好消息，而且當家族涉入程度愈高與公司績效低於預期水準愈大時，家族繼任CEO在股權融資併購前釋放好消息的意圖愈強。此外，本研究亦發現家族繼任CEO在股權融資併購前釋放好消息，正向影響併購後之公司績效，隱含家族繼任CEO釋放好消息的目的為降低資訊不對稱問題而非為攫取私人利益。

關鍵詞： 資訊揭露管理、家族涉入、家族繼任 CEO、績效預期缺口、社會情感財富

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1. Introduction

M&A strategy is an important external alternative for achieving a firm's growth objective and prospects when internal growth opportunities, such as innovation or capital investments, are limited or unavailable (King, Dalton, Daily, & Covin, 2004; Slywotzky & Wise, 2002). The extant studies focusing on CEOs' actions related to M&A activities for self-interest, a central notion of the agency problem, suggest that CEOs exert a critical effect on M&As (Harford & Li, 2007; Tang, Li, & Yang, 2015; Worek, 2017). However, family CEOs, especially a family successor, may behave other than in self-interest in regard to employing this strategy because failing to effectively manage M&As raises considerable challenges to their family's socioemotional wealth (Basu, Dimitrova, & Paeglis, 2009; Gomez-Mejia, Patel, & Zellweger, 2018; Sraer & Thesmar, 2007; Worek, De Massis, Wright, & Veider, 2018). Preservation of family socioemotional wealth with regard to the avoidance of potential dilution of family bonds, identity, wealth and control is the priority when family succession CEOs make M&A decisions (Chung & Yeh, 2010; Gomez-Mejia et al., 2018; Lien, Fong, & Cheng, 2009). Although some studies suggest that family CEOs behave differently toward M&As strategies, they mainly focus on the M&As' propensity, process or firm performance (Gomez-Mejia et al., 2018; Li, Gao, & Sun, 2015; Wong, Chang, & Chen, 2010; Worek, 2017). Little research has documented how family succession CEOs influence M&As, especially stock-finance M&As' disclosure strategies aimed at to protecting family socioemotional wealth.

Disclosure management may play an important role when family heirs execute stock-finance M&As due to a potential dilution of family control power because untrained or less established reputation family candidates often succeed to the CEO position in order to preserve family socioemotional wealth, such as by sustaining family control and bonds (Chung & Lin, 2009; Gedajlovic & Carney, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007;

Zellweger, 2007). The manner of appointing next generation family members exposes a firm to the risks of unqualified family successors and subsequent potential underperformance, which often leads family succession CEOs to receive an unfavorable response from the market (Cucculelli & Micucci, 2008; Smith & Amoako-Adu, 1999). For example, when the second generation took over the CEO position, the Tatung and Chia Hsin Groups experienced worse investment performance, jeopardizing the prospects of their firms (Apple Daily, 2020; Deng, 2017). Previous research has documented that family heirs experienced unfavorable market reaction when taking over the CEO position and when executing M&A investment (Perez-Gonzalez, 2006; Sraer & Thesmar, 2007).

Unfavorable reaction stemming from market perception regarding family successors has a repercussion effect on M&A activities, in particular stock-financed M&As, because family succession CEOs have to transfer more shares to bid for the target firm, consequently weakening the family firm's socioemotional wealth in regard to family control power (Elsbach, Sutton, & Principe, 1998; Khurana, 2002). Managing disclosures by releasing good news prior to stock-financed M&As allows family successors to alter the market participants' unfavorable perceptions (Godfrey, Mather, & Ramsay, 2003; Merkl-Davies & Brennan, 2007), and in turn helps family heirs to get a better exchange ratio and thus sustain family socioemotional wealth. Previous research suggests that a firm can combat negative investors' responses by releasing other significant news events to the market (Graffin, Carpenter, & Boivie, 2011). This study therefore complements previous research regarding family business and M&As by investigating the role that a family succession CEO plays in the disclosure strategy preceding stock-financed M&As, based on the perspective of family socioemotional wealth.

While family succession CEOs intend to manage disclosures prior to stock-financed M&As, the intention of releasing positive information may be heterogeneous among family successors. Previous studies have pointed out that the family firms disclosure releasing behavior is inconsistent (Ali, Chen, & Radhakrishnan, 2007; Asay, Libby, & Rennekamp, 2018; Byun, Hwang, & Lee, 2011; Sue, Chin, & Nien, 2014). These heterogeneities among family successors are derived from the threat to family socioemotional wealth with regard to family control, stakeholder trust and firm reputation because of family involvement in ownership and management, as well as the perceived potential underperformance of the family successors.

First, a specific characteristic of Taiwanese family firms is not only that the top team management is heavily reliant on family members, but also that family wealth is highly invested in these firms (Kim & Gao, 2010, 2013). However, family socioemotional wealth, regarding family bonds and identity, weakens in relation to family members' self-interest over generations, thereby increasing conflict among family members (Berrone, Cruz, & Gomez-Mejia, 2012; Memili, Fang, Chrisman, & De Massis, 2015). Practically, we observed numerous Taiwanese companies, such as the Evergreen Group, which suffered from high tension in the fight over self-interest due to the continuous disputes stemming from the lack of common family goals among the increasing family owners when the second generation inherits the company (PwC Taiwan, 2020; Wang, Yang, & Jhuo, 2020).

Conflicts of interest among family members cannot be easily resolved because family owners find it difficult to relinquish their significant investment in human and financial resources in their family firms (D'Angelo, Majocchi, & Buck, 2016; Schulze, Lubatkin, & Dino, 2003). In particular, a high acquisition price increases family members' concern about the dilution risk to their wealth and control power (Haider, Li, Wang, & Wu, 2020). Thus, highly involved family members are more likely to pay great attention to the M&A deals which might prove detrimental to their interest, in particular when family successors suffer from an unfavorable perception by the market. Declaring more good news before stock-financed M&A announcements to gain a better exchange ratio and sustain family control power is a significant way for family successors to alleviate challenges from highly involved family members. This study thus extends the research on family business and M&As, related to family socioemotional wealth, by further investigating how family involvement alters the behavior of family succession CEOs in releasing good news before stock-financed M&As.

In addition, previous research suggests that taking into account both finance and socioemotional wealth can better explain family firm behavior because financial performance has a vital impact on family socioemotional wealth (Martin & Gomez-Mejia, 2016; Wong, Chang, & Lee, 2020). Including the impact of firm performance below aspiration into the research enables us to clearly explain why some family successors have higher intention to manage information, while others do not, before a stock-financed M&A. An unfavorable performance signals the negative competitive ability of a family successor in a dynamic environment, which not only hurts family control power, but also the trust between the company and its stakeholders (Davidson, Jiraporn, Kim, & Nemec, 2004; Martin & Gomez-Mejia, 2016). Lower than expected performance also triggers negative media reports, thereby subsequently hurting a family business's reputation, and consequently resulting in a negative market reaction (Fombrun & Shanley, 1990; Gillespie & Dietz, 2009; Martin & Gomez-Mejia, 2016). The case of Cheng Shin Tyre showed a loss of reputation and stakeholders' trust when the operating performance was less than expected, which led to an unfavorable response from stakeholders, and eventually forcing the family successor to step down (Wang et al., 2020).

The unfavorable reactions when performance is lower than expected on the part of stakeholders, associated with the perception regarding the inappropriate choice of family successors, may further lead to an inferior exchange ratio. As a result, family socioemotional wealth may be profoundly threatened when executing stock-financed M&As. By adopting a more aggressive disclosure strategy before stock-financed M&As to get a better exchange price is of vital importance as it avoids family control power being lost or diluted during the M&A process. Thus, a family succession CEO may have a higher intention to manage information flow before stock-financed M&As. This study therefore extends the research on family socioemotional wealth by incorporating the effect of firm performance to investigate how the gap in performance below aspiration affects the intention of family successors to manage good news prior to stock-financed M&As.

The above-related findings show that family succession CEOs of the acquiring firms strategically release good news before an M&A. This result holds even when other influential factors are incorporated into the analysis. Moreover, when family involvement is high, or a family's current financial performance is lower than the aspiration level, family successors have a greater intention to engage in information management. We further conducted an investigation to understand the intention when a family succession CEO manages disclosure; it shows a positive effect on post M&A performance when good news is disseminated prior to stock-financed M&As. This result indicates that the intention of family successors' disclosure management prior to stock-financed M&As is more likely to reduce unfavorable perception rather than to signify the pursuit of self-interest.

This paper proceeds as follows. Section 2 discusses the theoretical background. Section 3 presents the sample selection and methodology. The empirical results are introduced in Section 4, while Section 5 offers the conclusion and discussion.

2. Background and Hypotheses

2.1 The Effect of Family Succession CEOs on Disclosure Management

The perspective of socioemotional wealth posits that the primary goal of a family business is to fulfill family-centered non-economic goals, such as the sustainability of family influence, bonds, identity and wealth over generations (Duran, Kammerlander, Van Essen, & Zellweger, 2015). Transiting the CEO position to a family member is an effective way to achieve these goals (Fan, Wong, & Zhang, 2012; Lee, Lim, & Lim, 2003). However, CEO candidates are often limited within a group of family members, relatively young and with less established reputation within the firm (Gomez-Mejia et al., 2007; Smith & Amoako-Adu, 1999; Yen, 1994). Additionally, information regarding how family succession CEOs are selected is rarely shared with other stakeholders (Shen & Cannella, 2003). Stakeholders often lack information about the management quality of family successors (Graffin et al., 2011; Smith & Amoako-Adu, 1999; Waine, 2002). Because of this nepotistic effect and the opaque information about family successors, family succession CEOs are generally viewed as unqualified and more likely to underperform (Cucculelli & Micucci, 2008; Perez-Gonzalez, 2006; Smith & Amoako-Adu, 1999). When investors perceive a family succession as an inferior appointment, their evaluation is reflected by discounting the stock price (Boeh, 2011; Croci & Petmezas, 2015; Gomez-Mejia et al., 2007; Perez-Gonzalez, 2006; Reuer, Tong, & Wu, 2012; Wong et al., 2010).

Unfavorable market responses to family successors result in a lower exchange ratio due to the potentially low stock price. This leads family successors to issue more shares to accomplish the acquisition deal, which subsequently dilutes the family controlling positions in the stock-financed M&As (Haider et al., 2020). Maintaining control power is crucial for family owners to enhance and preserve other aspects of socioemotional wealth, as control power is a necessary condition to represent the economic rationality in decision-making (Haider et al., 2020; Schulze, Lubatkin, Dino, & Buchholtz, 2001; Zellweger, Kellermanns, Chrisman, & Chua, 2012). That is, family owners’ strategic preferences are derived from their control power. In order to protect family socioemotional wealth in terms of control power, a family successor may intend to reduce the costs of control power dilution from unfavorable market perception by deliberately managing the company’s disclosure flow prior to an M&A (Botsari & Meeks, 2008; Francoeur, Ben-Amar, & Rakoto, 2012).

By strategically altering the flow of voluntary disclosure, a firm can influence market expectations and hence share price (Brockman, Khurana, & Martin, 2008). Previous research has documented that investors naturally respond positively when they receive good news (Kothari, Shu, & Wysocki, 2009). Family successors may prefer altering information flows rather than managing earnings prior to an M&A, in order to lower stock-financed acquisition costs since earnings management can entail serious costs such as those stemming from unfavorable legal action and inferior post M&A performance (Botsari & Meeks, 2008; DuCharme, Malatesta, & Sefcik, 2004; Francoeur et al., 2012; Kothari, Loutskina, & Nikolaev, 2006). Barclay and Smith (1988), Cheng and Lo (2006) and Brockman et al. (2008) suggest that a firm could strategically alter the flow of voluntary disclosure by spurring the release of good news to influence the market's expectations. Thus, we may expect that a family succession CEO inclines to release good news to protect the control power when performing a stock-financed M&A.

While family successors may have higher intention to manage information flow, non-family successors may also intend to do so. However, the priorities of non-family successors executing M&As are often based on self-interest, such as the expansion of firm size in order to secure personal position, prestige or compensation (Avery, Chevalier, & Schaefer, 1998; Harford & Li, 2007; Shleifer & Vishny, 1989). Obtaining a favorable exchange ratio in stock-financed M&A deals may not be necessary for non-family successors. On the other hand, the primary goal of a family successor is to preserve family control power, which significantly shapes the intention of family successors to release good news when performing stock-financed M&As (Worek et al., 2018). We may expect that when the market evaluates a family succession CEO by discounting the company stock price, in order to maintain family control, the family successor may have a higher intention regarding information management than the non-family one in the stock-financed M&A process. Ge and Lennox (2011) found that non-family managers did not aggressively issue overly-favorable management forecasts during the pre-acquisition period.

Based on the above argument, we propose that family successors accelerate the release of good news prior to a stock-financed M&A announcement in an attempt to reduce the uncertainty-related problems regarding a family succession CEO, and thus acquisition costs concerning the dilution of family control power. Therefore, we posit the following hypothesis.

Hypothesis 1: A firm with a family successor is more likely to release positive disclosure prior to stock-financed M&A announcements.

2.2 The Moderating Effect of Family Involvement

As seen from the literature on family business, family owners can exert and enhance control over their firms through equity ownership and the top management team to determine the firm’s strategy (Carney, 2005; Chrisman, Chua, & Litz, 2004; Evert, Sears, Martin, & Payne, 2018). However, ownership structures and family member involvement change over time (Memili et al., 2015). The entry of family members and the dispersion of ownership among later generations may lead to sibling rivalry, marital discord, and identity conflict, resulting in conflicts of interest and more attention being paid to self-centered individual interests, such as personal control power or wealth (Gomez-Mejia et al., 2007; Kellermanns & Eddleston, 2004). Conflicting interests are particularly high in family businesses because family owners invest significant human and financial resources, and cannot easily exit the family firm, thereby making conflicts more persistent and interests more difficult to align (D’Angelo et al., 2016; Schulze et al., 2003).

The perspective of socioemotional wealth suggests that the primary objectives of family owners are often associated with the control and influence over the firm

(Gomez-Mejia et al., 2007; Zellweger et al., 2012). Family owners do not view their firms as an asset to be relinquished (Casson, 1999). Conflicts of interest, such as dilution of personal equity stakes raise concerns regarding a family successor's investment in M&As. Since high family involvement in top management teams and equity ownership give family members powerful influence and monitoring intention concerning the decision-making of family successors, family successors have more pressure to take into account the primary interests of family members when they execute a stock-financed M&A (Chung, 2003; Morck, Shleifer, & Vishny, 1988; Villalonga & Amit, 2006). If investors' unfavorable response to family succession CEOs hurts family members' personal wealth and control power in the stock-financed M&A, highly involved family members with power will require family successors to protect their interests. In order to satisfy the interests of family members, a family successor would be expected to have greater incentive to raise share prices by changing the flow of voluntary disclosure before stock-financed M&As when there is a high degree of family involvement (Francoeur et al., 2012). Fan and Wong (2002) documented that controlling families in East Asia have more opportunities to realize family interest by discretional disclosure. Based on the above argument, we posit the following hypothesis.

Hypothesis 2: The greater the family involvement, the more likely that a family successor will release positive disclosure prior to stock-financed M&A announcements.

2.3 The Moderating Effect of a Performance Aspiration Gap

The perspective of socioemotional wealth suggests that family owners are reluctant to dilute their control power as it would represent the loss of socioemotional wealth (Zellweger et al., 2012). Unfavorable performance may endanger family control; thus, the authority of family successors, when it signals the low competitive capability of the firms they run, will cause stakeholders to lose trust in the family successors (Cennamo, Berrone, Cruz, & Gomez-Mejia, 2012; Gillespie & Dietz, 2009; Hannan & Freeman, 1984; Hill & Jones, 1992). In order to sustain control power, family successors need to demonstrate a favorable M&A deal to the family owners through a better exchange ratio in M&As. Also, investors' interests rely on a firm's economic performance (Waine, 2002); they concern firms' financial status rather than family membership (Mehrotra, Morck, Shim, & Wiwattanakantang, 2013; Miller, Breton-Miller, & Lester, 2013; Miller, Minichilli, & Corbetta, 2013). If investors are unsatisfied with their ownership stakes, they will question the capabilities of family successors by discounting a firm's stock price (Gillespie & Dietz, 2009; Hannan & Freeman, 1984; Hill & Jones, 1992; Wong & Chen, 2018). The problem of negative perception regarding potentially unqualified family successors, in association with unsatisfied stakeholders, may magnify an unfavorable exchange ratio and subsequently a greater dilution of family ownership and control (Croci & Petmezas, 2015). Thus, in order to get a better bidding exchange ratio and reduce pressure from family owners, family successors have a greater need to manage disclosures before M&As when firm performance is lower than the aspiration level.

Moreover, an unfavorable financial performance threatens family firms' reputation, which in turn potentially damages the family's control power (Berrone et al., 2012; Chrisman, Chua, De Massis, Frattini, & Wright, 2015; Fombrun & Shanley, 1990). Poor performance leads to negative media coverage, which harms the reputation of the family business. Negative reputation associated with a suspect family successor will not only profoundly affect a firm's value, but also family control when the performance below the aspiration level is greater (Martin & Gomez-Mejia, 2016). If family control provides a necessary condition for a socioemotional endowment, then parting with control means losing the endowment (Zellweger et al., 2012). A family successor may have higher intention to relieve the problem of negative reputation due to the unfavorable performance. Thus, in order to sustain control power, we can expect a family successor to have a stronger intention to increase positive disclosure prior to stock-financed M&As when a firm's performance is lower than the aspiration level. We therefore posit the following:

Hypothesis 3: The greater that a firm's performance is below the aspiration level, the more likely that a family successor will release positive disclosure prior to stock-financed M&A announcements.

3. Methodology

As this study investigates the influence of family succession CEOs on the disclosure strategy prior to stock-financed M&As, we use a sample set of publicly listed Taiwanese firms which have been transited to succession CEOs to test our hypotheses. Because the total number of shares issued by the acquirer in bidding for the target firm is computed based on the difference in stock valuation between the acquiring and target firms, family control is seriously affected by stock-financed M&As when investors respond negatively to a family successor (Botsari & Meeks, 2008). If the stock prices of a bidding firm decrease, the number of shares the acquiring firm transfers to the target will increase in the M&A transaction, which may potentially affect the percentage of equity shares held by a family and consequently, family control power. Thus, this research focuses on a sample of pure or mixed stock-financed M&As performed by family successors of publicly listed Taiwanese firms.

In this study, a family succession CEO is defined as a CEO who is related to the departing CEO or the founder of a controlling family by blood or marriage (Perez-Gonzalez, 2006; Yeh, 2005). The controlling family holds the largest voting shares when summing up the direct and indirect voting rights (La Porta, Lopez-De-Silanes, & Shleifer, 1999; Yeh & Woidtke, 2005). Based on this definition, news articles released by a succession CEO are categorized into either the group of family or non-family succession CEO in our analyses.

3.1 Sample Selection

In order to test our hypotheses, stock-financed M&A announcements executed by a succession CEO were first collected. We searched M&A announcements news from the news databank of the Taiwan News Smart Web (TNSW) and the Market Observation Post System, which provide news-service abstracts from major Taiwanese newspapers, as well as material information on listed Taiwanese firms. The keywords: “stock-financed”, “acquisitions”, “mergers”, or “acquiring” were used to search for such activities. The announcement date (day 0) was defined as the date of publication in which the company’s initial announcement of stock-financed bidding prices appeared. The sample set of this study is comprised of stock-financed M&A announcements issued by the succession firms listed on the Taiwan Stock Exchange from 1997 to 2018. Announcements were included in the sample set if they were either a pure or mixed share swap and successfully completed, if the bidder acquired a majority interest in the target firm or held a majority interest as a result of the deal, and if they were Taiwanese listed firms.

Second, when the stock-financed M&As’ announcements were obtained, public disclosures released by each announcing firm within one year before the financed M&As’ announcements were then searched and collected from the news databank of the TNSW by company name. Following the approach of Lang and Lundholm (2000), Cheng and Lo (2006) and Brockman et al. (2008), the extent of disclosure data included quarterly regular or non-quarterly earnings-related announcements; a preliminary or formal announcement which may include financial or monthly sales reports; nonfinancial announcements that may affect earnings in the near future, such as new product or contract announcements, and reports on volume, litigation, and regulatory action released by firms; managerial quotes related to the above items; short- or long-term financial or nonfinancial forecasts released by either quantitative or qualitative data, such as future sales or related analysis; current investment or financial transactions, such as a capital expenditure or debt issues; stock-related information, such as dividend announcements, or suggestions on the stock by non-company sources; and awards won, as well as charitable donations.

Based on the criteria of sample selection as defined above, and excluding samples if their stock price information or financial data were unavailable in the Taiwan Economic Journal (TEJ), the final sample was comprised of 150 stock-financed M&A announcements made by 98 firms listed by the TWSE (Taiwan Stock Exchange). A total of 3,324 disclosures were released within one year before the stock-financed M&A announcements by the firms with succession CEOs, including 1,673 and 1,651 news articles issued by either family or non-family succession CEOs, respectively.

3.2 Dependent Variables

Building on Cheng and Lo (2006) and Brockman et al. (2008), positive disclosure in this study was measured by both the frequency and magnitude of a news items before a stock-financed M&A transaction was announced. Following the approach of Lang and Lundholm (2000), first a dummy variable Frequency was used to capture whether a news article was good news or bad news. The statements released by the announcing firms were classified as pessimistic or optimistic according to the tone of the statements. Only clearly pessimistic or optimistic tones were coded as either “good” or “bad” news. The news articles within one year before the stock-financed M&As’ announcements released by the acquiring firms were collected and categorized based on the aforementioned criteria. Thus, the variable Frequency equals one if the news article was classified as good news, and zero otherwise. In order to test whether a family heir is more likely to release good news, we then compared news articles released within thirty days before the M&A announcing date (a news article falls within the 30-day event window prior to announcing date) to those falling outside this thirty-day window, but disclosed one year before the M&A announcing date. If a family successor intends to manage information flow, he or she is more likely to issue more positive disclosures prior to stock-financed M&A announcements within this thirty-day window (Brockman et al., 2008).

In addition to altering the frequency of disclosures, family successors could also alter the content of information flows by providing overly optimistic news before an M&A. In this study, we also adopted the content of information flows at the magnitude of the 3-day abnormal stock returns in the empirical analyses to strengthen our results (Brockman et al., 2008; Cheng & Lo, 2006). Following Cheng and Lo (2006), and Brockman et al. (2008), the variable Magnitude was used to capture the content of a disclosure defined as the cumulative abnormal return over the 3-day window (-1, +1) around the announcements of voluntary disclosures. A higher cumulative abnormal return represents more positive news content. To avoid the estimation window for the market model potentially containing other announcement days, we followed the approach of Fehle, Tsyplakov and Zdorovtsov (2005) and Wong and Wang (2018) who apply the market-adjusted return to compute the abnormal return over the 3-day window (-1, +1) of the voluntary disclosures. The cumulative abnormal return was computed as the difference between the firm's return and the return on the value-weighted Taiwan Stock Exchange All-Share Index one day before and after the voluntary disclosures announcing day. Daily stock returns and market returns were gleaned from the Taiwan Economic Journal (TEJ) Data Bank.

3.3 Independent Variables

3.3.1 Disclosure Management

To understand whether the family successor of an acquiring firm strategically altered information flow prior to the stock-financed M&A announcement, following the method of Brockman et al. (2008), the disclosures occurring within thirty days before the start of M&A announcements were compared with those disclosed one year before the M&A announcing date, but falling outside this 30-day window. The dummy variable, Disclosure management was used to test the hypotheses, which equals one if disclosures occurred within thirty days before the date of M&A announcements (a news article falls within the 30-day event window prior to announcing date), and zero otherwise (Brockman et al., 2008).

We expected that a family successor would be more likely to manage disclosures by releasing more good news during this 30-day period prior to the initial bidding price announcing date of a stock-financed M&A. Hence, the coefficient of the variable Disclosure management for the group of family succession CEO was expected to be significantly positive.

3.3.2 Family Involvement

Family members hold great influence when they are highly involved in a top management team and possess equity ownership (Agle, Mitchell, & Sonnenfeld, 1999; Chrisman, Chua, Pearson, & Barnett, 2012). Following the approach of Chrisman et al. (2012) and Mazzola, Sciascia and Kellermanns (2013), this study measured the degree of Family involvement by the number of family members among the top team managers and directors divided by the total numbers of top team managers and directors plus the percentage of equity share held by the family.

3.3.3 Performance Below Aspiration

In this study, we used the variable of Performance below aspiration to capture the degree of performance below the aspiration level as measured by both the historical and industrial aspiration. A higher value of performance below aspiration suggests a greater degree of a firm's performance being lower than its aspiration level. First, we measured a firm's performance aspiration gap by subtracting a firm's own historical performance and the performance of its competitors from the firm's performance. Return on assets was adopted as a proxy for firm performance in accordance with the major studies on performance aspiration gap (Chrisman & Patel, 2012; Greve, 2003a; O'Brien & Parthiban, 2014). Following the approach of Chrisman and Patel (2012), the historical aspiration gap was computed as the difference between a firm's performance in year t-1 and its historical performance in t-2. The industrial aspiration gap was the difference between a firm's performance in year t-1 and counterpart firms' performance in t-1, as measured by the median ROA of firms in the same industry which classified by the industry classification codes of the Taiwan Stock Exchange (TWSE). The variable of Historical Performance below aspiration was then defined as the return on assets in t-2 minus return on assets (ROA) in t-1 of a focal firm if return on assets in t-1 was less than the performance aspiration (return on assets in t-2), and zero otherwise. Industrial Performance below aspiration was defined as median return on assets in t-1 of the industry minus the focal firm's return on assets in t-1 if the focal firm's return on assets in t-1 was less than the median return on assets in t-1 of the industry, and zero otherwise.

We measured performance below aspiration by ROA for several reasons. First, among the metrics of profitability, including ROA (e.g., Audia & Greve, 2006; Chen & Miller, 2007; Greve, 1998, 2003a; Miller & Chen, 2004; Shimizu, 2007), market share (Baum, Rowley, Shipilov, & Chuang, 2005) or returns on sales (ROS) (Audia, Locke, & Smith, 2000). ROA is the most commonly used measure in previous studies, and is also highly relevant to a firm's long-term survival since stakeholders are more likely to pay attention to this metric (Kuusela, Keil, & Maula, 2017; Shinkle, 2012). Second, the central notion of performance aspiration perspective suggests a firm's adjustment behavior in response to its experience rather than acting on its future expectations (Arrfelt, Wiseman, & Hult, 2013; Greve, 2003b; Lant & Shapira, 2008). ROA is relevant to current performance rather than expected future performance (e.g., market-related measures) (Arrfelt et al., 2013). Finally, this study discusses whether family successors will be more likely to release good news before stock-financed M&As. Using ROA rather than stock performance as the proxy of performance aspiration avoids the compounding problem related to the news articles released within the estimated period of stock performance aspiration. Given our focus on news released before stock-financed M&As by family successor CEOs, we thus adopted ROA to measure performance below aspiration in this study.

3.4 Control Variables

To control for other factors that may affect information management prior to M&A announcements, a set of explanatory variables was included, such as firm size, growth opportunities, firm performance, founder on the board, leverage, succession CEO tenure and earnings management, which have been put forward as having influential effects on information disclosure by M&A announcing firms (Brockman et al., 2008; Wong, Lin, & Chang, 2016). We included firm size as a control variable as large firms release more information than small firms do. Firm size was measured by the natural logarithm of the book value of assets one year before the M&A announcements. Growth opportunities were incorporated because a firm with higher growth opportunities often makes greater information disclosures. Growth opportunities were measured by the market-to-book ratio one year prior to M&A announcements, while PE ratio was defined as the year-end price of ordinary shares divided by earnings per share. Firm performance was also included in the analysis because disclosure type could be related to firm performance. Firm performance was defined as the return on equity in the year prior to the M&A announcements.

A founder sitting on the board may amplify the rate of information manipulation since a family founder is more likely to place more emphasis and primacy on the maintenance of family socioemotional wealth (Gomez-Mejia et al., 2007; Stockmans, Lybaert, & Voordeckers, 2010). This study controls for

Founder_board; it equals one if the founder serves on the board in the year that an M&A announcement is made, and zero otherwise. Since a firm's leverage may also affect the amount of earning management and thus the number of disclosures, we also incorporated Leverage in the analyses (Morsfield & Tan, 2006; Young, 2008). The variable of Leverage was measured by total debt divided by total assets. In addition, family succession CEOs are more likely to have higher degrees of information asymmetry due to their shorter tenure within the firm, and may also have high intention to manage information flows (Wong et al., 2010). In this study, we controlled for Succession CEO tenure, which was measured by the number of years that a successor succeeded to the CEO position.

Prior studies suggest that acquiring firms may intend to manage earnings prior to stock-financed M&A in order to lower acquisition costs (Botsari & Meeks, 2008; Francoeur et al., 2012). This study thus controls for earnings management in order to catch the intention of disclosure releases by family successors before a stock-financed M&A. Earnings Management was measured as the discretionary accruals by adopting a Modified Jones Model (Anagnostopoulou & Tsekrekos, 2015; Dechow, Sloan, & Sweeney, 1995). We first cross-sectionally regressed actual total accruals (TA) on the change in sales (Δ REV) minus change in accounts receivable (Δ AR), plus the gross level of property, plant, and equipment (PPE) for the industrial competitors of the acquired firms. All of the components in the regressions were deflated by the total assets one year before the data year of the components. Industry was classified based on the industry classification codes of the TWSE. We then determined the expected total accruals one year before the M&A announcements for the acquiring firms by using the estimated parameters from the aforementioned regression model, and incorporated TA, Δ REV, Δ AR and PPE data from the acquirers. Discretionary accruals were measured by total actual accruals deflated by the total assets minus the expected total accruals. Actual TA were defined as net income before extraordinary items minus cash flows from operations.

We also included year and industry dummies to capture the time-related effect on market reactions, as well as to control for the industry-specific effect. The industry classification was based on the industry classification codes of the TWSE. The data on the independent variables were obtained from annual reports and the Taiwan Economics Journal (TEJ) Data Bank.

Table 1 presents the sample descriptive statistics and correlations. The mean value of frequency is 0.920, while the magnitude is -0.010, which suggests not only that firms are more likely to release good news, but also that the extent of good news is relatively smaller than bad news. This finding is consistent with previous studies, i.e., that investors weight negative information more heavily than positive information in the formation of overall evaluations (Akhtar, Faff, Oliver, & Subrahmanyam, 2011; Bird & Yeung, 2012; Goudarzi & Ramanarayanan, 2011; Kothari et al., 2009). The value of disclosure management is 0.100 on average, implying that 10% of news articles were released within one month relative to one year prior to M&A announcements. Some 50% of the whole sample of the succession CEOs are family members, and family member involvement in the firms is 33.637% on average. The mean values of historical and industrial performance below aspiration are 3.721% and 2.142%, respectively.

4. Empirical Results

4.1 Main Effects

In order to investigate how a family succession CEO strategically manages information before stock-financed M&A announcements, two dependent variables: Frequency and Magnitude were used in the logistic and ordinary least squares (OLS) regression analyses. We used a logistic regression model to examine whether the frequency of good news is higher within a 30-day period before the M&A announcement, in contrast to the news outside of this 30-day window. An OLS regression analysis was conducted to test the magnitude of good news within

Table 1 Means, Standard Deviations, and Correlations

Variables	Mean	Median	S.D.	2	3	4	5	6	7	8	9	10	11	12	13
1. Frequency	0.920	1.000	0.267	0.040*	0.037*	0.002	0.074**	-0.021	0.005	0.064**	-0.080**	0.003	0.020	-0.025	0.046**
2. Magnitude (%)	-0.010	0.004	3.663		0.021	-0.029	-0.067**	-0.042*	-0.003	0.007	-0.011	0.021	0.047**	-0.019	0.026
3. Disclosure management	0.100	0.000	0.302			0.033	0.042*	0.012	0.003	0.021	-0.044*	0.014	-0.009	-0.022	-0.039*
4. Family succession CEO	0.500	1.000	0.500				0.275**	-0.156**	-0.141**	0.060**	-0.375**	-0.078**	-0.046**	0.279**	-0.302**
5. Family involvement (%)	33.637	29.890	22.743					0.169**	-0.030	-0.042*	-0.398**	0.162**	0.027	-0.100**	-0.235**
6. Historical performance below aspiration (%)	3.721	0.900	5.294						0.325**	0.223**	-0.081**	-0.151**	0.003	-0.170**	0.024
7. Industrial performance below aspiration (%)	2.142	0.000	3.971							0.134**	-0.076**	0.174**	-0.171**	0.090**	0.064**
8. Founder_board	0.810	1.000	0.396								-0.153**	-0.078**	-0.002	0.099**	0.018
9. Firm size (NT$ million)	88,676	57,792	89,956									-0.045**	-0.101**	0.214**	0.129**
10. Leverage (%)	35.629	35.230	15.272										-0.053**	0.131**	0.053**
11. PE ratio	15.495	13.180	21.882											-0.073**	0.011
12. Succession CEO tenure	13.961	12.000	9.186												-0.168**
13. Earnings management	0.002	0.003	0.085												-

Notes. "**" and "*" represent 1% and 5% significance levels using a two-tailed test, respectively.

a 30-day period before the M&A announcement, in contrast to the news outside of this 30-day window (Brockman et al., 2008; Cheng & Lo 2006).

Based on the method of Brockman et al. (2008), this study used a split regression approach to test the hypothesis by regressing the dependent variable, Frequency (Magnitude) on the independent variable Disclosure management. If a family succession CEO intended to manage information flow, compared to a non-family succession CEO, he or she would be more likely to release more good news within the 30-day period prior to the stock-financed M&A announcement date relative to those falling outside this 30-day window but within one year before the M&A announcement date. Thus, we could expect that the coefficients of Disclosure management would be significantly positive and higher in both logistic regression (frequency) as well as OLS regression (magnitude) for the groups of family succession CEOs compared to the group of non-family ones.

The results of the logistic and OLS regressions show that the Disclosure management coefficients are positively significant for the group of family succession CEOs, but insignificant for the group of non-family ones in Model 1 (chow test $P < 0.01$), Table 2 and Model 5 (chow test $P < 0.01$), Table 3. This result indicates that family successors of acquiring firms are more likely to release good news before stock-financed M&A announcements in terms of both frequency and magnitude; thus, Hypothesis 1 is supported.

4.2 Moderating Effects

This study tested the moderating effects of family involvement on the positive relationship between disclosure management before stock-financed M&As and family succession CEOs, by including interactive terms of disclosure management and family involvement in both the logistic and OLS regression models, respectively. If family involvement enhances the intention of family succession CEOs managing the flow of disclosure before M&A announcements, the interactive terms of disclosure management and family involvement will be

Table 2 Logistic Regression Analyses based on the Frequency of Voluntary Disclosures

	Model 1		Model 2		Model 3		Model 4	
	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO
Intercept	5.236 (7.905)***	6.772 (1.646)	3.096 (2.239)	6.568 (1.530)	5.356 (7.322)***	7.620 (1.517)	6.830 (11.520)***	2.293 (0.097)
Disclosure management	0.691 (3.820)**	0.458 (1.070)	1.408 (6.088)***	0.709 (1.582)	2.660 (7.415)***	0.405 (0.755)	1.601 (5.449)**	0.457 (1.061)
Family involvement			0.026 (11.395)***	0.007 (0.237)				
Disclosure management *Family involvement			0.065 (6.155)***	0.020 (0.513)				
Historical performance below aspiration					0.104 (6.187)***	-0.090 (2.498)		
Disclosure management *Historical performance below aspiration					0.846 (7.965)***	0.019 (0.050)		
Industrial performance below aspiration							-0.126 (2.427)	0.156 (0.707)
Disclosure management *Industrial performance below aspiration							1.072 (7.357)***	-0.006 (0.003)
Founder_board	0.391 (1.376)	1.383 (6.442)***	0.554 (2.576)	1.320 (5.607)**	0.282 (0.666)	2.129 (8.281)***	0.738 (3.997)**	1.225 (4.370)**
firm size	-0.294 (1.614)	-0.845 (1.717)	-0.083 (0.102)	-0.868 (1.724)	-0.336 (1.861)	-0.708 (1.003)	-0.442 (3.138)*	-0.702 (1.029)
Leverage	-0.021 (6.429)***	0.019 (1.547)	-0.031 (10.556)***	0.016 (0.889)	-0.020 (5.516)**	0.012 (0.413)	-0.027 (8.870)***	0.028 (2.357)
PE ratio	0.040 (8.011)***	0.003 (0.048)	0.036 (5.580)**	0.002 (0.024)	0.043 (8.355)***	0.018 (0.748)	-0.004 (0.033)	0.003 (0.050)
Succession CEO tenure	0.013 (0.962)	-0.047 (1.176)	0.016 (1.138)	-0.051 (1.395)	0.010 (0.488)	-0.049 (1.130)	0.013 (0.849)	-0.095 (1.683)
Earnings management	4.367 (10.466)***	-0.201 (0.006)	5.967 (13.415)***	-0.168 (0.004)	4.528 (10.524)***	0.835 (0.085)	5.584 (15.494)***	0.168 (0.004)
Year and Industrial effects	included	included	included	included	included	included	included	included
Likelihood ratio	786.074	780.772	697.998	748.784	755.961	777.257	747.705	780.015
Chi-Square	117.722***	119.657***	129.485***	112.975***	129.233***	114.471***	137.490***	113.378***

Note. The dependent variable is the dummy variable of good and bad news. "***", "**", and "*" represent 1%, 5%, and 10% significance levels using a two-tailed test, respectively. The Wald-statistics are reported in parentheses.

Table 3　Cross-Sectional Regression Analyses Based on the Magnitude of Voluntary Disclosures

	Model 5		Model 6		Model 7		Model 8	
	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO	Family succession CEO	Non-family succession CEO
Intercept	-1.029 (-0.575)	0.645 (0.238)	-1.730 (-0.927)	0.997 (0.362)	-0.495 (-0.263)	-1.193 (-0.442)	-1.246 (-0.705)	1.149 (0.400)
Disclosure management	0.704 (2.376)**	-0.303 (-0.982)	0.686 (2.287)**	-0.038 (-0.117)	0.727 (2.516)***	-0.028 (-0.089)	0.710 (2.457)***	-0.035 (-0.110)
Family involvement			-0.005 (-0.850)	-0.003 (-0.279)				
Disclosure management *Family involvement			0.028 (2.209)**	0.030 (1.883)*				
Historical performance below aspiration					-0.042 (-1.404)	-0.025 (-0.706)		
Disclosure management *Historical performance below aspiration					0.109 (1.992)**	-0.049 (-0.857)		
Industrial performance below aspiration							-0.035 (-0.619)	-0.008 (-0.263)
Disclosure management *Industrial performance below aspiration							0.212 (2.074)**	-0.076 (-1.242)
Founder_board	-0.377 (-1.065)	-0.172 (-0.468)	-0.310 (-0.911)	-0.314 (-0.777)	-0.298 (-0.827)	-0.136 (-0.295)	-0.373 (-1.072)	-0.320 (-0.786)
firm size	0.138 (0.620)	-0.361 (-1.142)	0.224 (0.972)	-0.401 (-1.277)	0.065 (0.277)	-0.134 (-0.423)	0.160 (0.732)	-0.430 (-1.269)
Leverage	-0.004 (-0.520)	0.018 (1.787)*	-0.006 (-0.699)	0.021 (1.960)**	-0.006 (-0.686)	0.023 (2.299)**	-0.008 (-0.930)	0.019 (1.896)*
PE ratio	0.056 (3.848)***	0.001 (0.374)	0.052 (3.541)***	0.001 (0.309)	0.051 (3.539)***	0.001 (0.329)	0.046 (2.354)**	0.001 (0.214)
Succession CEO tenure	-0.023 (-1.659)*	-0.023 (-1.008)	-0.018 (-1.336)	-0.018 (-0.748)	-0.017 (-1.224)	-0.025 (-0.939)	-0.017 (-1.267)	-0.018 (-0.764)
Earnings management	1.585 (1.129)	-3.725 (-2.112)**	0.481 (0.347)	-3.900 (-2.230)**	0.764 (0.551)	-3.177 (-1.812)*	1.410 (0.967)	-3.873 (-2.171)**
Year and Industrial effects	included	included	included	included	included	included	included	included
F	2.752***	2.377***	3.197***	2.367***	3.035***	2.116***	3.010***	2.224***
R^2	0.032	0.024	0.044	0.026	0.039	0.021	0.039	0.023

Note. The dependent variable is three-day (-1, +1) announcement period abnormal returns. "***", "**", and "*" represent 1%, 5%, and 10% significance levels using a two-tailed test, respectively. The t-values are reported in parentheses.

significantly positive for the group of family succession CEOs, in both the logistic and OLS regression models.

In Model 2 (chow test P < 0.01), Table 2 of the logistic regression analysis, the coefficient of the interaction term is significantly positive for the group of family succession CEOs at the 1% level, while insignificant for non-family successors. In addition, in the OLS regression, the result in Model 6 (chow test P < 0.1; standardized coefficient of Disclosure management*Family involvement for family succession CEO = 0.060; standardized coefficient of Disclosure management*Family involvement for non-family succession CEO = 0.049), Table 3 is consistent with that in Model 2; therefore, Hypothesis 2 is also supported.

In Hypothesis 3, we tested if performance below aspiration raises a positive relationship between disclosure management before stock-financed M&A and a family succession CEO. It can be expected that the interaction terms for disclosure management and performance below aspiration will be positive if firm performance below the aspiration level has a positive moderating effect. Following the approach of Chrisman and Patel (2012), we tested the moderating effects of performance below aspiration by historical and industrial aspirations, separately. We found that the interaction effects of disclosure management and both historical and industrial performance below aspiration are positive and significant for a family succession CEO's group, but insignificant for a non-family group in the logistic and OLS regression models. In Model 3 of historical performance below aspiration (chow test P < 0.001) and Model 4 industrial performance below aspiration (chow test P < 0.001), Table 2 of the logistic regression, the coefficients of the interaction terms are significantly positive for the family successor's group. Moreover, in Model 7 of historical performance below aspiration (chow test P < 0.01) and Model 8 of industrial performance below aspiration (chow test P < 0.005), Table 3 of the OLS regression, the results are also similar to those in Models 3 and 4; therefore, Hypothesis 3 is supported.[1]

[1] We also conducted robustness tests by adopting the interaction approach for the moderating effects of family involvement and firm performance below aspiration. To avoid the potential problems of outliner and heteroscedasticity, we winsorized the continuous variables by 1% and 5%, respectively, and redid the logistic regressions by clustering year and industry based on the industry classification codes of the TWSE, as well as the OLS regression by heteroskedasticity-consistent standard errors (Brockman et al., 2008; Chen & Lai, 2017; Panicker, Mitra, & Upadhyayula, 2019; White, 1980).

The variance inflation factors (VIFs) in the split regression models are lower than the threshold value of ten, suggesting that our findings are unlikely to be affected by the problem of multicollinearity (Chen & Lai, 2017; Hair, Black, Babin, Anderson, & Tatham, 2006).

4.3 The Intention of Disclosure Management

In order to further understand whether the intentions of family succession CEOs releasing good news before stock-financed M&As are to manage impressions and reduce information asymmetry or only to manipulate information flows and seek family self-interest by raising stock price before stock-financed M&As, we conducted an investigation by regressing the post-M&As' performance of the acquirers on the interactive term of disclosure management and good news. If the intention of family succession CEOs was to reduce information asymmetry, the interactive term of disclosure management and good news would be positive and significant. On the other hand, if the intention of family succession CEOs were to pursue self-interest by manipulating disclosures, we might expect unfavorable post-M&A performance and the interactive term to be significantly negative.

As defined in the methodology section, the variable of disclosure management equals one if disclosures occur within thirty days before the date of stock-financed M&A announcements, and zero otherwise. The variable of good news equals one if the tone of the disclosures was classified as positive, and zero otherwise. Post-M&A performance was defined as the operating performance following M&A announcements. Operating performance was measured by the announcing firm's

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The results of the interaction approach remained very similar to those of the split sample approach. Even though the moderating effect of family involvement in the robust OLS regression slightly lost some significance, the coefficients still captured the same positive sign. Overall, the findings in the interaction approach are consistent with those in the split sample approach, showing that the moderating effects of H2 and H3 are supported. The results of interaction approach are available upon request.

industry-adjusted return on assets, which was computed as the difference between the sample firm's return on assets and its industry average of return on assets three years after the M&A announcements (Doukas & Lang, 2003; Lang & Stulz, 1994). The industry classification was based on the industry classification codes of the TWSE. After controlling for the influential factors, the results showed that the interactive term of disclosure management and good news is significantly positive for a family succession CEO (p-value < 0.05), while insignificantly positive for a non-family successor (p-value > 0.1). The result implies that the intention of a family successor releasing more good news before an M&A is more likely meant to reduce information asymmetry rather than only to pursue self-interest before M&As.

5. Conclusion and Discussion

5.1 Conclusion

This study investigated how family succession CEOs manage disclosure before stock-financed M&A announcements in regard to both frequency and magnitude. Meanwhile, we also examined whether family involvement and performance below the aspiration level moderate the intention of family successors to release good news. The findings of this study show that family succession CEOs of acquiring firms are more likely to strategically release good news before stock-financed M&As. This result is consistent with Louie, Ahmed and Ji (2019), i.e., that a family firm is inclined to disclose information voluntarily in order to signal the market about future growth potential, as well as by Louis and Sun (2016) that acquiring firms exploit investor attention by timing the disclosures. Our study also confirms the research of Amel-Zadeh and Meeks (2019), that acquirers intend to reduce the acquisition premium of stock-financed acquisitions by disclosing pro-forma earnings forecasts. The result that non-family succession CEOs do not intend to release good news is consistent with the finding of Ge and Lennox

(2011), that managers of public-listed firms have no intention to issue overly favorable management forecasts during the pre-acquisition period.

Moreover, family successors with high family involvement have greater intention to engage in disclosure management before stock-financed M&As in order to protect family socioemotional wealth and family members' interests. This result is consistent with the notion that family involvement affects the family's behavioral propensity to pursue family goals via strategic decisions (Chrisman, Chua, De Massis, Minola, & Vismara, 2016; Minola, Brumana, Campopiano, Garrett, & Cassia, 2016). Higher family members' involvement leads to greater mutual monitoring among family members, which affects family succession CEO's intention regarding M&As (Ferramosca & Allegrini, 2018). We also found that when firm performance is below the aspiration level, a family successor has greater intention to engage in good information release. Our evidence corresponds with the finding of Ali et al. (2007) that family firms are more likely to provide quarterly forecasts when they have poor firm performance, as well as with the research of Asay et al. (2018), that managers release more readable good news in order to obfuscate poor firm performance.

In addition, we also conducted an investigation to further understand the intention of family succession CEOs managing good news before stock-financed M&As. We found a positive effect in that family successors accelerate good news prior to stock-financed M&As on posting M&A performance. This result shows that the intention of disclosure management is more likely to reduce the unfavorable perception of investors by impression management. This finding corresponds to the suggestion of Graffin et al. (2011) that a firm combats negative responses by releasing other significant event news to the market, contrary to the findings of Cheng and Lo (2006) and Brockman et al. (2008) that managers opportunistically time the release of corporate news to pursue self-interest when trading stock or announcing share repurchases.

5.2 Theoretical Contributions

This study contributes to the field in several ways. First, previous studies on family M&A activities mostly used agency theory to discuss the propensity, process, and performance of family businesses in M&As (Worek, 2017). Even though some extant studies have documented that stock-financed acquirers intend to release good news before M&As, they focused on managers with self-interest, while ignoring the critical impact of family socioemotional wealth on this decision-making (Brockman et al., 2008; Chrisman et al., 2012; Ge & Lennox, 2011; Gomez-Mejia et al., 2018). Compared to non-family successors with self-interest, untrained or less established reputation family succession CEOs have a different view on the strategy of disclosure management in M&As under the effect of maintaining family socioemotional wealth. However, little research explores the behavior of family succession CEOs in managing disclosures before M&As. This study complements the research related to family business and M&As by investigating a firm's behavior in terms of disclosure management, in order to reduce unfavorable investors' perception when a family successor performs M&A, based on the perspective of maintaining socioemotional wealth.

Second, family involvement in a firm's ownership and management plays a vital role in the pursuit of family-centered non-economic goals (Chrisman et al., 2012). This issue is particularly important for Taiwanese family firms with considerable family members and wealth involved in their firms, as they are deeply affected by the socioemotional wealth, which significantly affects decisions made by the family successors (Kim & Gao, 2010, 2013). Although previous literature has emphasized the heterogeneous behaviors among family firms due to the various family involvement, little research reveals how different degrees of family involvement cause goal heterogeneity among family succession CEOs to manage disclosures (Berrone et al., 2012; Chrisman et al., 2012; Chua, Chrisman, Steier, & Rau, 2012; Nordqvist, Sharma, & Chirico, 2014). The second contribution of this study is that based on the notion of socioemotional wealth, our research provides a complementary aspect to the research on M&As and disclosure management by taking into account the potential influence of family members. This approach helps us to better understand how family successors behave concerning disclosure management, in order to fulfill family members' needs by changing the perspective of stockholders in the context of stock-financed M&As.

Finally, Martin and Gomez-Mejia (2016) suggest that incorporating finance wealth into socioemotional wealth can better explain family firm behavior, implying that socioemotional wealth may not completely explain the different disclosure behaviors of family successors. Integrating performance aspiration gap derived from the behavior theory of the firm into the perspective of socioemotional wealth helps explain the heterogeneous behaviors of disclosure management among family heirs. Even Hussinger and Issah (2019) provided insights into the influences of the aspiration level on a family firm's acquisition strategies. Worek et al. (2018) examined the acquisition goals of family firms, such as pursuing finance, innovation, or market competitiveness from the view of maintaining family socioemotional wealth. However, these studies do not demonstrate how the performance aspiration gap plays an important role in the decision-making of a family successor's disclosure strategy before a stock-financed M&A, based on the consideration of maintaining family socioemotional wealth. The third contribution is that our study extends the perspective of socioemotional wealth by incorporating the notion of performance below aspiration. This allows us to better understand why family succession CEOs have various disclosure behaviors, and how they affect information flows in order to relieve the unfavorable response derived from an unqualified association with underperformance family successor, and hence protecting family socioemotional wealth.

5.3 Managerial Implications

Our study also offers practical implications. First, the findings indicate that family CEO successors are more likely to release good news and experience a favorable post-M&A operating performance. As suggested by Graffin et al. (2011), a board mitigates the negative responses to the successor by releasing other significant event news to the market, and leaving succession CEOs to prove their merit. This research also implies that since family firms are concerned about the problem of information asymmetry regarding family successors because of their unestablished reputation with the stakeholders, managing information flows may reduce this problem

Second, our evidence suggests that family CEO successors intend to release more good news if there is a high level of family involvement, implying that information management reducing the negative impression from the stakeholders may mitigate the conflict interests of family members and potential objections to the activities performed by family heirs. This perspective suggests that the decision-making of family heirs has to take into account the needs concerning maintaining family members' socioemotional wealth, especially when family members are highly involved in the management or control of a firm (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

Third, a primary goal of family owners is the preservation of socioemotional wealth. If family firm control is a necessary condition for socioemotional endowment, dilution of control represents a loss of the endowment (Zellweger et al., 2012). Since unfavorable firm performance may threaten socioemotional wealth, family heirs may protect family socioemotional wealth by releasing other significant event news to combat negative investors' responses especially under the situation of performance below aspiration (Berrone et al., 2012; Chrisman & Patel, 2012; Chrisman et al., 2015; Graffin et al., 2011; Miller, Breton-Miller, & Scholnick, 2008).

5.4 Limitations and Future Research

This study has some limitations. First, the result that a family successor is more likely to promote good news prior to M&A has important implications to family businesses. However, this finding may be related to the specific family relationship as well as governance structures within Asian regions, and the relatively weak protection of shareholders' rights in Taiwan (Chang, Wu, & Wong, 2010; Chung & Dahms, 2016; Chung & Yeh, 2010). For example, family firms in Western countries tend to select professional managers while Chinese family businesses are inclined to appoint family members to maintain control power during successions (Lee & Su, 2009; Lien et al., 2009). Traditional Chinese culture leads to greater family influence than formal authority in the decision-making process of Chinese family businesses (Yen, 1996; Zapalska & Edwards, 2001). These differences in family relationships and governance structures may limit the generalizing of our research results. Future research can investigate whether our results can be generalized to the Western family businesses, or other countries with stronger legal systems for the protection of minority shareholders. Second, in this study we focused on how family involvement and the negative aspiration gap serve to motivate greater disclosure management. Future research can identify important governance mechanisms that may influence disclosure management prior to an M&A. Third, many of the acquired firms in our sample are unlisted companies; the market value and financial data on the acquired firms could not be obtained to estimate the M&A's costs of the acquiring firms. Further research can revisit this issue via a qualitative or questionnaire method.

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