



Founder Control, Charitable Donations and Corporate Performance-Take Gem Listed Companies as an Example

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Abstract. Since the reform and opening up, China's rapid economic development has also brought about the problem of too large the gap between the rich and the poor. Under the positive effect of emphasizing the third distribution, charity has gradually come into people's vision. The society is full of various ways of charity. For enterprises, charitable donation is an important way for enterprises to fulfill their social responsibilities, so it is necessary to study the reasons for charitable donation by enterprises. The founders of an enterprise have a strong affection for the enterprise. They tend to have long-term plans for the enterprise and are familiar with the industry they are in. These factors can enable the founders to focus on the long-term development of the enterprise. They may increase corporate charitable donations, actively fulfill their corporate social responsibilities, win a good reputation for enterprises, and promote the improvement of corporate social performance. However, in the real environment, after going public, enterprises often face the problem of competing between investors and founders for control. In this process, the enterprises experience shocks, which will hinder their charitable donation and make the performance of enterprises unstable. This study organizes the relevant literature at home and abroad, connects with the actual situation of domestic enterprises, and starts from the relevant theories of founder control, explores the influence of founder control on corporate charitable donation and corporate performance, and verifies the adjustment mechanism of corporate charitable donation.

Keywords: founder; control right; corporate charitable donation; business performance

1 Introduction

In the field of corporate governance, the control of founders has always been a key issue for scholars. Reasonable corporate control is essential to improve corporate performance and protect the legitimate rights and interests of stakeholders. Today's rivalry between founders and investors can seriously hurt the interests of businesses. In addition, the relationship between the relationship between the three is worthy of in-depth

research and consideration on the impact of corporate philanthropy on the development of enterprises.

2 Theoretical Analysis and Research Hypothesis

2.1 Founder Control and Enterprise Performance

With the continuous development of domestic private enterprises, scholars have done more and more research on founders. The founder witnessed the process of the enterprise from scratch, and was relatively clear about the future development of the enterprise and the development trend of the industry itself. As the founder of the enterprise and the leader of organizational management, the founder plays a sustainable and irreplaceable role in the survival and development of the organization, which is consistent with the view that the founder of the high-order theory affects the development of the enterprise (Van Lancker E, 2023)^[1]. The certification effect owned by the founder can alleviate the financing cost of stock issuance, so that the enterprise has more disposable funds, and facilitate the long-term development of the enterprise in the future (Fan, Y et al., 2023)^[4]. On the basis of the upper theory, the performance of the enterprise is closely related to the control range of the founder. The control range of the founder is small, and the leadership behavior of the founder can affect the performance and strategic ability of the enterprise (Hensellek Simon et al., 2023)^[2]. Companies led by founders show greater transparency than those led by non-founders. When founders have more decision-making power in their leading company, the performance, transparency and value of the company will improve faster, which is the unique advantage of founders^[5]. Equity financing will hinder the founder's control area, and the financing listing will greatly weaken the founder's control over the company, which will lead to the unstable performance of the enterprise (Lyu Bei & Chen Hui, 2022)^[3].

Based on the above analysis, the following hypothesis is proposed

H1: The founder's control of the enterprise has a positive impact on the business performance of the enterprise.

2.2 The Regulation Effect of Charitable Donation

Corporate charitable donation is an important way for private enterprises to fulfill their social responsibilities. Companies making silent donations will see even greater growth in their performance (Khan et al., 2023)^[8]. With the gradual enhancement of the enterprise's social responsibility awareness, the expansion of the scale of charitable donations of enterprises, the social reputation of enterprises will be enhanced, and the performance of enterprises will be improved. After the improvement of corporate performance, corporate charitable donations will be promoted, indicating that charitable donation and corporate performance are mutually cause and effect^[6]. Based on resource dependence theory, resource dependence may be an important driver of charitable donations, and businesses need to establish good contact with stakeholders and maintain

a positive image. Companies can gain the support of their stakeholders through a positive image and promote the growth in business performance (Yu C H, 2020)^[7].

Based on the above analysis, the following hypothesis is proposed.

H2: Charitable donation strengthens the relationship between founder control and business performance.

3 Research Design

3.1 Sample Selection and Data Source

The selection interval of the variables is 2017-2022, the main data of this study came from the Shenzhen Stock Exchange, Guotai'an Database, China Research Data Service Platform, Juchao Information Network and other channels

3.2 Study Variable Design

3.2.1 The Explained Variables

The financial performance of an enterprise usually includes the return on equity, return on total assets, asset-liability ratio, and Tobin Q. After fully considering the use of each indicator, the return on total assets (ROA) is used to measure the business performance of an enterprise (Soumendra et al., 2011).

3.2.2 Explanatory Variable

The founders of this study are the main initiators of the enterprise. For the definition of the control of the founder, determine the founder list through the basic description of the chapter "basic information of the issuer" in the prospectus of the IPO of the sample companies in the Shenzhen Stock Exchange. If there are multiple natural persons jointly initiated to establish a company, learn from Xia Lijun et al. (2012)^[9]. If the founder is chairman or general manager, the value is 1, otherwise 0, written as Power.

3.2.3 Regulated Variable

This paper draws on Cao Haimin and Meng Yuan (2019) for obtaining corporate charitable donation data^[10]. Through the "profit and loss items" in the non-operating expenditure in the cash flow statement in the Guotai'an database, the EXCEL is used to find out the data containing the words "donation", and get the amount of corporate charitable donations through data cleaning. Drawing on the practice of most scholars, this study chose to measure charitable donation by dividing the total amount of charitable donation by the ratio of operating income, and increased the ratio by 1000 times to eliminate the equal difference.

3.2.4 Controlled Variable

Enterprise size (Size): the logarithm of total assets

Board size (BS): the number of members on the board

Founder gender (Gender): 1 if the founder is a male and 0 for a female

The total salary of the top three directors of the board (Salary): the natural logarithm of the total salary of the top three directors of the board

3.3 Model Building

To test hypothesis H1, a regression model (1)

$$ROA_{i,t} = \beta_0 + \beta_1 Power_{i,t} + \beta_2 controls_{i,t} + \varepsilon_{i,t} \tag{1}$$

To test hypothesis H2, a regression model was constructed (2)

$$ROA_{i,t} = \beta_0 + \beta_3 Power_{i,t} + \beta_4 Donation + \beta_5 Power * Donation + \beta_6 controls_{i,t} + \varepsilon_{i,t} \tag{2}$$

Among them, i represents the individual enterprise, t means the subordinate year, and β_0 represents the intercept of the regression equation, namely the constant term, β_i for Corresponding regression number, and ε represents the random error term.

4 Analysis of the Empirical Results

4.1 Descriptive Statistical Analysis

Table 1. Descriptive statistical results

Variable name	sample number	descriptive statistics			
		least value	crest value	average value	standard error
ROA	1296	-0.8841	0.5415	0.0401	0.0927
Power	1296	0	1	0.85	0.354
Donation	1296	0.005	21.6362	0.8610	1.7063
Size	1296	8.4888	10.8721	9.4547	0.3914
Lev	1296	0.0420	1.1169	0.3641	0.1768
BS	1296	4	13	7.97	1.455
Gender	1296	0	1	.95	0.210
Salary	1296	5.2662	7.4607	6.3164	0.2782
Ind	1296	0	1	0.68	0.465
Year	1296	2017	2022		

According to Table 1, the average ROA of an enterprise is 0.0401, and the labeling difference is 0.0927, indicating that there is no difference in the income effect of the enterprise.

4.2 Regression Analysis

Table 2. overran the analysis results

VARIABLES	model (1) ROA	model (2) ROA
Power	0.055** (2.125)	-0.016 (-0.543)
Donation		-0.327*** (-5.313)
Power*Donation		0.340*** (5.452)
Size	0.127*** (4.138)	0.125*** (4.117)
Lev	-0.357*** (-12.905)	-0.359*** (-13.028)
BS	0.003 (0.644)	0.003 (0.124)
Gender	-0.092*** (-3.601)	-0.092*** (-3.637)
Salary	0.110*** (3.667)	0.115*** (3.870)
Year	-0.126*** (-4.585)	-0.128*** (-4.697)
Industry	0.068*** (2.659)	0.069*** (2.723)
***, ** and * denote another 1%, 5% and 10% respectively at significance levels passing the significance test		

According to the regression analysis results in Table 2, the control of the founder passed the significance test at 5% level, and the estimated coefficient is 0.055, indicating that the founder's control of the enterprise will promote the growth of enterprise performance. Hypothesis 1 is verified. In order to verify the model 2, in this paper, the founder control, corporate charitable donations and the interaction into the model 2 test, from table 2 model 2, the interaction coefficient of the two is significant at the 1% level, the coefficient of 0.340, that enterprise charitable giving positively adjust the positive relationship between founder control and enterprise performance, hypothesis 2 was verified.

5 Conclusion

5.1 Study Conclusions

The main conclusions of this paper are as follows: (1) in the gem listed enterprises, the control of the founder significantly improves the business performance of the enterprises. Specifically, when a founder takes control, it will promote business performance

growth.(2) After the founder has control, the charitable donation of the enterprise will strengthen the strength between the founder's control and the business performance of the enterprise. The more corporate charitable donations, the better the business performance. That is, corporate charitable donation strengthens the positive impact of founder control on business performance.

5.2 Revelations and Suggestions

This study has the following implications:

(1) After the founder controls the control, it will promote the growth of the business performance of the enterprise. Therefore, the control of the founder should be reasonably protected. After the listing of the enterprise, the control of the founder should be reasonably protected.

(2) Corporate charitable donations will have an important impact on corporate performance. Enterprises should actively participate in charitable donation while maintaining their own operation. The reputation effect of corporate charitable donation agency affects enterprises more than the value of enterprises lost by charitable donation. In the long run, enterprises should actively and reasonably make charitable donations, which is conducive to the long-term growth of corporate performance.

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