Does The Governance Model of Husband-and-Wife Shareholding Lead to Underinvestment?

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Abstract. This paper explores the extent to which joint shareholding by husband and wife affects underinvestment in family firms by establishing a multiple regression model based on the family firm-specific socio-emotional wealth theory perspective. It is found that joint spousal shareholding can alleviate the underinvestment of family firms to a certain extent, and it is also found that the underinvestment can be further alleviated when the important positions in family firms have technical backgrounds as well as when the family firms actively undertake social responsibilities. The results of this paper suggest that family firms should utilize the advantages of joint ownership in the future, which is conducive to the long-term development of the enterprise.

Keywords: Joint Spousal Shareholding, Family Business, Social Emotional Wealth Theory, Underinvestment.

1. Introduction

Family business is an important part of the private economy, and family relationships are the most significant social capital embedded in the family business, family members influence each other on a variety of business decisions, which in turn plays a role in the allocation of resources in the enterprise. In the 2019 Forbes Mainland Listed Family Business Research, changes in the disclosed major kinship relationships show that since 2011, husband and wife relationships have become the dominant kinship relationships in family businesses. Cases of husband-and-wife entrepreneurship abound, with their operations spreading across various fields. out of 117 A-share companies listed in IPOs in the first half of 2020, more than 60 listed companies were controlled by family members, accounting for more than 50% of the total [1].

China's economy has entered the stage of high-quality development, meanwhile, investment efficiency is an important factor affecting economic development, moreover, the situation of under-investment is more serious than over-investment. To achieve long-term healthy development of family enterprises, it is necessary to crack the financing problem. External investors have many concerns about investing in family businesses, which is because the controlling family shareholders within the family business will balance the family's socio-emotional wealth with the efficiency of the family business and choose to sacrifice the rights of small and medium-sized shareholders in order to preserve the socio-emotional wealth. The preservation of the family's socio-emotional wealth could sway the investment and business choices of family firms, causing them not to choose investment and business choices that maximize economic benefits in order to protect the family's intangible assets [2].Compared to non-family firms, family firms are more willing to put their limited resources into long-term R&D investments that can bring competitive advantages to the firms and reduce inefficient investment behaviors to maintain the long-term development of the firms due to their intergenerational inheritance dynamics and stronger corporate control [3]. Whether the business model of joint shareholding by husband and wife is conducive to improving underinvestment in family firms remains a controversial topic and therefore has room for in-depth research.

Existing research concentrating on the investment efficiency of family and non-family firms has found that the investment efficiency of family firms exhibits significant differences under the theories of agency theory, socio-emotional wealth theory, stewardship theory, and the resource base view

[4][5][6], and although the reasons for this result are not fully clarified, the family's approach to control and governance is a more academically agreed-upon influencing factor. According to the Forbes Mainland Listed Family Enterprises Research published by Forbes in 2019, the husband-and-wife relationship has become the kinship relationship that occupies absolute dominance in family enterprises. Combined with the fact that many scholars in China have found through their research that there is general underinvestment in China's family enterprises [7], this paper believes that it is very necessary to explore and analyze the investment behavior of family enterprises, especially the phenomenon of underinvestment. So, what role does joint spousal shareholding play in the investment path of family-listed firms? Existing studies have paid less in-depth attention to the differences in the impact of husband-and-wife controllers on the non-investment efficiency of enterprises. Therefore, conducting research on how joint shareholding by husband and wife affects underinvestment in family firms not only helps to optimize and improve the governance structure and governance mechanism of family firms but also helps to enhance the vitality of the private economy.

The main contributions of this paper are as follows: firstly, it expands the research on joint shareholding by husband and wife, which provides an important reference for understanding the characteristics of family firms and adds to the research literature on family firms. Furthermore, it expands the research on underinvestment, as the existing studies focus on the principal-agent conflict between management and shareholders, and few studies have been conducted on husband-wife joint shareholding and underinvestment. On the other hand, this paper further explores the effects of family firms' years of public listing, audit opinion, CEO's technical background, and family firms' social responsibility on husband-wife joint shareholding and underinvestment.

2. Theoretical analysis and research hypothesis

Family business is a form of business structure that has a long history and is common and important in all countries of the world. Based on the theory of socio-emotional wealth, the controlling family of a family business will not only consider the economic interests but also consider the non-economic interests of the family from the family's point of view, to make some decision-making behaviors that are not in line with the rational economic man.

When the husband and wife shareholding family enterprise, that is, the shareholding family embedded in the enterprise's higher level of socio-emotional wealth, the family maintains the enterprise's reputation and performance the stronger the incentive will be, will be through the use of social capital and other ways to raise the necessary funds, and at the same time, the rational allocation of existing resources will be limited to the resources to invest in long-term can bring competitive advantage for the enterprise's research and development investment, adjust the level of investment so that it is in a reasonable range to improve the efficiency of the investment, to alleviate the lack of investment, to ensure that the continuity of the enterprise and the inheritance of the. At the same time, when the husband and wife are the owners of the enterprise, both of them have highly consistent emotions and interests, and the information communication efficiency is excellent, which promotes the coordination between both parties and greatly avoids the information asymmetry between the owner and the agent of the enterprise. On the other hand, joint management by husband and wife, taking advantage of their respective strengths, can enhance the level of internal corporate governance and improve the efficiency of corporate innovation decision-making. Based on the above discussion, this paper proposes hypothesis H1a.

H1a: Other things being equal, joint spousal shareholding by can go some way to alleviating the underinvestment in family businesses.

On the contrary, based on the theory of private gains from control, family-controlling shareholders have strong incentives to pursue private gains by transferring and emptying resources. Joint shareholding by husband and wife strengthens the voice of the de facto controller couple in the enterprise and tends to operate independently and reduce diversification and R&D investment in order to prevent the dilution of enterprise control by the introduction of external human and financial capital.

At the same time, women tend to be more conservative while husbands are more aggressive, and when couples participate in corporate decision-making together, the wife's conservative tendency may lead to cautious corporate decision-making. At the same time, unlike blood ties, husband-wife relationships have non-negligible vulnerabilities, and the quality of a marriage can have a huge impact on a company's profitability, capital expenditures, the size of its debt, and investor confidence. Even when the marriage is in crisis or even broken, it may lead to a more intense control struggle between the two parties, using more capital appropriation and related transactions to obtain private gains, exacerbating the information asymmetry within the firm, and leading to underinvestment. Based on the above discussion, this paper proposes hypothesis H1b.

H1b: Other things being equal, joint spousal shareholding can exacerbate the underinvestment in family businesses to some extent.

3. Research design

3.1. Sample selection and data sources

This paper takes A-share listed family firms from 2011-2021 as the initial sample. Based on CSMAR and related literature, this paper defines family firms as follows:(1) The ultimate controller of the business can be traced to a natural person or family; (2) The family group holds more seats on the board (both directly and through representatives) than any other individual or group. Based on this criterion, the paper further processes the data according to the following steps:(1) Excluding financial companies; (2) Excluding ST, *ST, and PT companies; After these steps, the paper ends up with 6213 firm-year data for 1363 listed family firms. The data of de facto controller couples are obtained through the CNRDS family business database and manual collection of company annual reports and prospectuses (Xiao Jinli, 2018) [8]. The data on company characteristics in this paper are obtained from the CSMAR database.

3.2. Description of variables

3.2.1. Interpreted variables: Underinvestment.

This paper refers to Richardson's (2006) residual model to calculate inefficient investment and applies equation (1) to calculate underinvestment with reference to Bo Wen's study:

$$Inv_{i,t+1} = \alpha + \beta_1\, Size_{\,i,t} + \beta_2\, Growth_{\,i,t} + \beta_3 Controls_{i,t} + \sum Year + \sum Industry + \varepsilon_{i,t+1}, \quad (1)$$

Where, inv for new investment is calculated as "cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets" minus "disposal of fixed assets, intangible assets, and other long-term assets to recover the net cash value", plus " cash paid for investments", and then divided by the total assets at the beginning of year t; Size is the size of the company, expressed as the natural logarithm of total assets; Growth is the growth opportunity of the enterprise, expressed as the growth rate of operating income; Controls represent control variables; while equation (1) also controls for the year dummy variable and the dummy variable for the industry in which the firm is located. The residual from the regression is the investment level of the enterprise, and a residual value less than 0 represents underinvestment. The data with residuals less than 0 are screened out. The absolute value (Underinv) is taken, representing the extent to which the investment level deviates from the theoretically expected investment level, and the larger the absolute value, the more serious the underinvestment situation is, and the lower the investment efficiency.

3.2.2 Explanatory variable: joint shareholding by husband and wife

This paper uses a dummy variable for joint spousal shareholding (Toge) to measure whether both the de facto controller and his/her spouse hold shares in the listed family firm. It is assigned a value of 1 if both spouses hold shares in the listed company and 0 otherwise.

3.2.3 Control variable

The control variables selected in this paper are as follows: firm size (Size); corporate gearing (lev); return on equity (ROE); fixed asset ratio (Fixed); free cash flow (Cashflow); a growth rate of operating income (Growth); Tobin's Q (TobinQ); book-to-market ratio (BM); loss or not (Loss); director's size (Board); shareholding concentration (Top1); and number of years on the market (ListAge); industry and year are also controlled to exclude effects. Specific variables are defined as shown in Table 1.

3.3. Model building

To test the effect of joint shareholding by couples on underinvestment, the paper constructs model (2) to further test the accuracy of the proposed hypothesis:

$$Underinv = a_0 + a_1 Toge + a_2 Controls + \sum Year + \sum Industry + \varepsilon_i, \quad (2)$$

Where Underinvestment (Underinv) is the response variable and Couples' Joint Stockholding (Toge) is the explanatory variable. Controls are the control variables in Table 1, controlling for both year (Year) and industry (Ind) fixed effects. In order to determine the relationship between joint shareholding and underinvestment, we need to pay attention to the sign of the regression coefficient a_1 in the predictive model (2), if the regression coefficient a_1 is negative, it means that joint shareholding will reduce the degree of underinvestment, and the hypothesis H1a is valid; on the other hand, if the regression coefficient a_1 is positive, that is, joint shareholding can exacerbate underinvestment, and the hypothesis H1b is valid.

Table.1. Variable definition

Variable type	variable symbol	Variable Definition
Interpreted variables	Underinv	Underinvestment, the level of investment deviates from the theoretically expected level of investment
Explanatory variable	Toge	1 for spousal controller enterprises, 0 for no
Control variable	Size	Firm size, the natural logarithm of the firm's total assets
	lev	Corporate gearing, the ratio of total liabilities to total assets.
	ROE	Return on net worth, the ratio of net profit to net worth
	Fixed	Fixed asset ratio, ratio of fixed assets to total assets
	Cashflow	Free cash flow, the ratio of cash flow from operating activities to total assets at the end of the period
	Growth	Operating income growth rate, the ratio of the increase in operating income in the current year to the total operating income of the previous year
	TobinQ	Tobin's Q, the ratio of a firm's market value to its replacement cost
	BM	Book-to-market ratio, the ratio of shareholders' equity to the company's market capitalization
	Loss	Loss or not, loss is 1, otherwise 0
	Board	Director size, the natural logarithm of the number of boards of directors in the enterprise
	Top1	Shareholding concentration, proportion of shares held by the firm's largest shareholder
	ListAge	Number of years on the market, natural logarithm of the reporting year minus the year on the market
	Year	Year dummy variables
	Industry	Industry dummy variables

4. Empirical analysis

4.1. Descriptive statistics

The descriptive statistics of the main variables are shown in Table 2. The maximum value of Underinvestment (Underinv) is 0.303, the minimum value is 0, the mean value is 0.036, and the standard deviation is 0.033, indicating that underinvestment is common but not very different. The maximum value of Toge is 1, the minimum value is 0, and the mean value is 0.479, indicating that the pattern of joint ownership of shares by husband and wife is still relatively common in family enterprises.

Table.2. Descriptive statistics

Variable	N	Mean	SD	Min	p50	Max
Underinv	6239	0.036	0.033	0	0.0280	0.303
Toge	6239	0.479	0.500	0	0	1
Size	6239	21.90	1.075	19.52	21.78	26.43
Lev	6239	0.385	0.198	0.035	0.371	0.925
ROE	6232	0.051	0.148	-1.072	0.063	0.406
Fixed	6239	0.190	0.131	0.002	0.169	0.736
Cashflow	6239	0.045	0.070	-0.224	0.044	0.257
Growth	6239	0.147	0.383	-0.660	0.099	4.330
TobinQ	6097	2.258	1.559	0.802	1.767	17.73
BM	6239	0.805	0.787	0.051	0.592	10.14
Loss	6239	0.129	0.335	0	0	1
Board	6239	2.077	0.189	1.609	2.197	2.708
Top1	6239	0.331	0.137	0.0810	0.310	0.758
ListAge	6239	2.037	0.595	1.099	2.079	3.367

4.2. Basic regression analysis

Column (1) of Table 3 demonstrates the results of the benchmark regression of the effect of joint spousal shareholding on underinvestment in family firms. It can be seen that the regression coefficient between joint husband and wife shareholding (Toge) and underinvestment (Underinv) is -0.002, which is significant at a 5% level, indicating that joint husband and wife shareholding (Toge) is negatively correlated with underinvestment (Underinv) and that joint husband and wife shareholding mitigates the extent of underinvestment, further validating hypothesis H1a.

5. Robustness check

5.1. Controlling for area-fixed effects and year*industry effects

The effect of joint shareholding by husband and wife on firms' investment efficiency may include the role of certain regional factors, such as regional cultural differences, regional policies, location planning, and the degree of financial market development that may interfere with firms' investment decisions. This section will control for the fixed effect of the province where the firm is registered and, as far as possible, control for other regional information that may be included in the regression that affects the findings of the researchers. Also, this paper adds year* industry fixed effects. Column (2) of Table 3 shows the results of the regression controlling for regional fixed effects, and column (3) of Table 3 shows the results of the year*industry fixed effects regressions. They are basically consistent with the previous benchmark regression results, verifying the conclusion that joint shareholding by the husband and wife reduces the investment efficiency of the enterprise and leads to underinvestment.

5.2. Adding control variables.

In order to avoid the effect of omitted control variables on the results, this paper adds additional control variables: the proportion of independent directors (Indep), and the proportion of management shareholding (Mshare). The regression results are shown in column (4) of Table 3, which shows that the regression coefficient of joint shareholding by husband and wife (Toge) and underinvestment (Underinv) is -0.002, which is significant at the ten percent level, indicating that joint shareholding by husband and wife (Toge) is negatively correlated with underinvestment (Underinv) and that joint shareholding by husband and wife will alleviate the degree of underinvestment, further verifying the hypothesis.

5.3. Lagged test

The investment decision is a strategy that requires a certain amount of time to see whether it is effective and how much return, and the investment decision made by executives in the team also requires a certain process, and thus there may be a lag which leads to the endogeneity problem, thus this paper substitutes the explanatory variable husband and wife shareholding (Toge) lagged by one period in the model (2) to re-regress and verify the stability of the conclusion. Column (5) of Table 3 shows the regression results, and the coefficient is still negatively correlated and significant, which is consistent with the results of the benchmark regression.

5.4. PSM

Matching is performed using 1:2 and 1:3, and the matching variables are: firm size (Size), return on assets (ROE), fixed asset ratio (Fixed), free cash flow (Cashflow), growth rate of operating income (Growth), Tobin's Q (TobinQ), whether it is a loss (Loss), size of directors (Board), and age at listing (ListAge). The matching variables passed the balance test, after matching the sample re-regression, as can be seen from the regression results in Table 3 column (6) and (7), The regression results of the propensity score method using 1:2 matching showed a significant negative effect of joint spousal ownership on underinvestment at the 5% statistical level, while the 1:3 regression results showed a significant negative effect of joint spousal ownership on underinvestment at the 10% statistical level, further support the conclusions of the benchmark regression of this paper.

Table.3. Main regression results, robustness test results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Basic regression	Fixed effects		Adding control variables	Lagged test	PSM 1:2 matching	PSM 1:3 matching
VARIABLES	Underinv	Underinv	Underinv	Underinv	Underinv	Underinv	Underinv
Toge	-0.002**	-0.002*	-0.002**	-0.002*	-0.002**	-0.002**	-0.002*
	(-1.97)	(-1.74)	(-2.37)	(-1.96)	(-2.20)	(-2.05)	(-1.76)
Size	-0.000	-0.000	-0.001	-0.000	0.000	-0.001*	-0.001
	(-0.24)	(-0.25)	(-0.87)	(-0.37)	(0.29)	(-1.81)	(-1.25)
Lev	-0.004	-0.005	-0.003	-0.005*	-0.006**		
	(-1.47)	(-1.58)	(-0.95)	(-1.66)	(-2.14)		
ROE	-0.005	-0.004	-0.005	-0.004	-0.004	-0.001	-0.005
	(-1.16)	(-1.00)	(-1.06)	(-0.97)	(-0.98)	(-0.14)	(-1.02)
Fixed	-0.009**	-0.008**	-0.019***	-0.010**	-0.006	-0.006	-0.009*
	(-2.25)	(-1.98)	(-2.72)	(-2.36)	(-1.60)	(-1.27)	(-1.92)
Cashflow	-0.023***	-0.023***	-0.006	-0.023***	-0.023***	-0.015*	-0.026***
	(-3.50)	(-3.51)	(-1.55)	(-3.47)	(-3.93)	(-1.84)	(-3.43)
Growth	0.008***	0.008***	0.009***	0.008***	0.007***	0.009***	0.006***
	(6.79)	(6.72)	(7.04)	(6.86)	(6.49)	(6.40)	(4.83)
TobinQ	0.001*	0.001*	0.001*	0.000	0.001**	0.000	0.001**
	(1.71)	(1.78)	(1.80)	(1.40)	(2.22)	(0.89)	(2.21)
BM	-0.001	-0.001	-0.001	-0.001	-0.001		
	(-1.21)	(-1.01)	(-1.52)	(-1.31)	(-1.05)		
Loss	-0.000	-0.000	0.002	0.000	-0.000	-0.000	-0.000
	(-0.01)	(-0.03)	(1.06)	(0.07)	(-0.17)	(-0.05)	(-0.24)
Board	-0.005*	-0.004	-0.006**	-0.003	-0.005**	-0.004	-0.002
	(-1.86)	(-1.54)	(-2.47)	(-1.11)	(-2.27)	(-1.17)	(-0.78)
Top1	-0.001	-0.002	-0.001	-0.002	-0.003		
	(-0.35)	(-0.67)	(-0.23)	(-0.45)	(-0.92)		
ListAge	-0.007***	-0.007***	-0.007***	-0.008***	-0.008***	-0.006***	-0.007***
	(-7.42)	(-7.35)	(-7.52)	(-7.53)	(-8.65)	(-5.58)	(-6.88)
Indep				0.009			
				(0.81)			
Mshare				-0.005**			
				(-2.05)			
Constant	0.074***	0.073***	0.078***	0.074***	0.075***	0.083***	0.081***
	(5.18)	(4.97)	(5.76)	(4.55)	(5.69)	(5.08)	(5.43)
Observations	6,090	6,090	6,090	6,036	6,933	4,104	4,582
Number of stkcd	1,362	1,362	1,362	1,360	1,364	1,232	1,296
Year FE	YES	YES	YES	YES	YES	YES	YES
Industry FE	YES	YES	YES	YES	YES	YES	YES
Year*Industry	NO	NO	YES	NO	NO	NO	NO
Province FE	NO	YES	NO	NO	NO	NO	NO

z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

6. Further study

6.1. Heterogeneity analysis

Years of listing are a major factor in firm growth, and the older the firm the lower its growth rate. In this paper, based on the indicator of the company's listing age, the total sample is divided into two groups of longer and shorter listing age to test the relationship between husband and wife's joint shareholding and underinvestment. The specific empirical results are shown in Panel A in Table 4. The effect of joint shareholding of husband and wife on underinvestment in family firms with higher listing age is significantly negative; the effect of joint shareholding of husband and wife on underinvestment in family firms with lower listing age is not significant.

Audit opinion can react to the good or bad internal control of the enterprise, and a good internal control can standardize the enterprise's operation and management activities, reduce the management risk, enhance the operation performance, and improve the quality of the enterprise's financial statements. Based on the study of Dawei Ratso (2019) [9], the total sample is divided into audit opinion unqualified and non-unqualified to test the relationship between husband and wife's joint shareholding and underinvestment. The specific empirical results are shown in Panel B in Table 4. The effect of joint spousal shareholding on underinvestment in family firms with unqualified audit opinions is significantly negative; the effect of joint spousal shareholding on underinvestment in family firms with non-unqualified audit opinions is not significant.

Table.4. Further study of regression analysis: heterogeneity analysis

	Panel A Listing age		Panel B Audit opinion	
	Longer listing age	Shorter listing age	Unqualified	Non-unqualified
VARIABLES	Underinv	Underinv	Underinv	Underinv
Toge	-0.003*	-0.001	-0.002*	-0.004
	(-1.65)	(-0.91)	(-1.80)	(-0.67)
Constant	0.078***	0.048**	0.080***	0.015
	(3.56)	(2.18)	(5.35)	(0.17)
Observations	2,657	3,433	5,834	256
Number of stkcd	741	1,169	1,355	155
Controls	YES	YES	YES	YES
Year	YES	YES	YES	YES
Industry	YES	YES	YES	YES

z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

6.2. Moderating effect

Chen Yanglin, Jiang Xuhang (2023) [10] pointed out that firms' innovation investment and financialization behaviors are closely related to the CEO's technical background. Based on the top echelon theory, the professional and technical background of a firm's CEO will implicitly affect the firm's investment behavior. Column (1) of Table 5 shows the regression results of CEO technical background (CEObac) as a moderating variable, the cross-multiplier term Toge*CEObac of couple's joint shareholding and CEO technical background (CEObac) has a significant negative relationship with underinvestment (Underinv) at the 10% level and the regression value is -0.006, indicating that CEO technical background (CEObac) can significantly enhance the negative correlation between husband and wife joint shareholding and underinvestment.

This paper refers to Zhang Xuezhi, Ke Chan (2022) [11] that family business social responsibility is an important determinant of underinvestment, so this paper tests the effect of family business social responsibility on the correlation between husband-and-wife joint shareholding affecting underinvestment in family business. Table 5 column (2) shows the regression results of family business social responsibility (Socres) as a moderating variable, the cross-multiplier term of husband and wife joint shareholding and family business social responsibility (Socres), Toge*Socres, has a significant relationship with underinvestment in investment (Underinv) at the 10% level and the regression value is - 0.006, which indicates that family business social responsibility (Socres) significantly enhances the negative correlation between spousal joint ownership and underinvestment.

Table.5. Further study of regression analysis: moderating effects

	(1)	(2)
VARIABLES	Underinv	Underinv
Toge	-0.002**	-0.002*
	(-2.00)	(-1.73)
CEObac	0.004**	
	(2.36)	
Socres		0.002
		(1.41)
Toge*CEObac	-0.006*	
	(-1.85)	
Toge* Socres		-0.003*
		(-1.66)
Constant	0.074***	0.063***
	(5.21)	(3.64)
Observations	6,090	5,324
Number of stkcd	1,362	1,297
Controls	YES	YES
Year FE	YES	YES
Industry FE	YES	YES

z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

7. Conclusions

Based on the Richardson residual model, this paper selects listed family firms from 2011-2021 as the research sample and investigates the effect of joint shareholding by husband and wife on underinvestment in family firms. This paper finds that (1) Husband and wife joint shareholding mitigates the degree of underinvestment; (2) the effect of husband and wife joint shareholding on underinvestment in family firms with higher listing age is significantly negative; (3) the effect of husband and wife joint shareholding on underinvestment in family firms with an unqualified audit opinion is significantly negative; (4) the CEO's technological background significantly enhances the negative correlation between husband and wife joint shareholding and underinvestment (5) Family business social responsibility (Socres) can significantly enhance the negative correlation between husband-wife joint shareholding and underinvestment.

Aiming at the current status quo of underinvestment generally faced by listed family enterprises in China, and combining with the findings of this research, this paper argues that family enterprises must make reasonable use of family advantages in order to ensure the stable and sustainable development of family enterprises. Based on the above research, this paper gets the following insights:

First, joint shareholding by husband and wife is conducive to family enterprises to alleviate the status quo of underinvestment. Husband and wife controller enterprises not only have a high degree of real interest consistency, but also have a high degree of long-term interest consistency, so they can put limited resources into long-term research and development investment that can bring competitive advantage to the enterprise and reduce underinvestment behaviors in order to maintain the long-term development of the enterprise, which is also an important way to achieve the longevity of the family business. Husband and wife joint shareholding enterprise also means that both husband and wife participate in the management of the enterprise, play their respective advantages, improve the internal governance level of the enterprise, and improve the efficiency of enterprise innovation decision-making. The conclusion of this study implies that family enterprises should adopt more joint shareholding by husband and wife in the future, which is conducive to the long-term development of the enterprise.

Second, optimize the management appointment mechanism of family enterprises, and make good use of excellent family talents. The research of this paper has found that when the important positions in family enterprises have certain technical background, it can to a certain extent promote the optimization of resource allocation and alleviate the underinvestment of enterprises. Therefore, family enterprises should make good use of excellent talents, because they have the ability to make objective judgments and sufficient technical background and can work harder for the development of the family enterprise, use and allocate resources, and manage the enterprise in a more reasonable way.

Third, actively undertake social responsibility to extend the sustainable development of family enterprises. Nowadays, many family enterprises in China are in the important stage of inheritance and change of generation, enhancing the sense of social responsibility of family enterprises, can significantly improve the competitiveness of family enterprises, and enhance the sustainable competitive advantage.

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