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The Role of CEO Succession in Promoting Sustainable Business Performance

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Abstract

A well-structured dividend policy is essential for sustainable corporate growth, investor confidence, and long-term business performance. In emerging markets such as China, where investor protection mechanisms remain relatively weak, dividends serve not only as a means of distributing profits but also as an important governance mechanism that mitigates agency conflicts, reduces information asymmetry, and signals commitment to shareholder value. The effectiveness of dividend policy, however, is closely linked to the strategic decisions and leadership quality of top executives, particularly during periods of CEO transition. This study examines the impact of CEO succession on corporate dividend payment decisions among publicly listed Chinese firms

from 2010 to 2023. It further investigates whether CEO characteristics, specifically origin (insider versus outsider), age, and gender, moderate this relationship. Using fixed-effects regression analysis on panel data, the results indicate that CEO succession is positively associated with dividend payments. The positive effect is stronger when the successor is an outsider or a female CEO, while it weakens when the successor is older. The study contributes to the corporate governance and dividend policy literature by demonstrating how leadership transitions and executive attributes influence financial decisions that support sustainable business performance. By integrating insights from corporate governance, leadership succession, and financial strategy, the findings highlight the role of internal organizational mechanisms in advancing the United Nations Sustainable Development Goals, particularly SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), and SDG 5 (Gender Equality).

Keywords: CEO succession; CEO characteristics; Corporate governance; Dividend policy; Sustainable business performance; Upper echelons theory.

1. Introduction

Dividend policy remains one of the most debated topics in corporate finance due to its central role in corporate governance and its implications for sustainable business performance. In institutional environments with limited shareholder protection, such as emerging markets, investors often prefer dividends over capital gains to mitigate expropriation risks by controlling shareholders or managers (La Porta et al., 2000). The chief executive officer (CEO), as the primary architect of corporate strategy, wields significant discretion over dividend decisions, making leadership transitions, particularly CEO succession, a pivotal event that can reshape financial policies and long-term value creation (Yahaya, 2022).

CEOs play a central role in shaping corporate dividend policy, which significantly influences investors' decisions and perceptions of firm value. From an agency theory perspective, CEOs act as representatives of controlling shareholders and are rewarded for strong firm performance but may face dismissal when performance declines (Shaheen et al., 2022). Consequently, maintaining dividend payments is important, as dividend omissions or reductions can trigger negative shareholder reactions, intensify agency conflicts, and increase the risk of CEO turnover. Although CEOs have substantial influence over corporate decisions, they operate under the oversight of boards of directors (BODs), which are responsible for appointing qualified leaders who can balance stakeholder interests and promote sustainable firm performance (Biggs, 2004; Yahaya,

2022). Given the strategic importance of the CEO position, CEO succession represents a critical event in a firm's lifecycle and requires careful planning by the board (Scheper et al., 2017). Because incoming CEOs may differ from their predecessors in terms of skills, incentives, and strategic priorities, leadership transitions can lead to significant changes in corporate policies, including dividend decisions. Therefore, CEO succession is expected to influence firms' dividend payment behavior.

This study aims to examine, via the prism of China's emerging market, whether CEO succession drives dividend policy decisions. China provides a distinctive integrative framework for the study of dividend policy as it pertains to CEO succession for a series of reasons. First, dividend policy represents the key financial choice for publicly held Chinese companies, given that dividends accounted for approximately half of the MSCI China Index's total revenues from 1999 to 2012 (Bradford et al., 2017). In addition, the Chinese stock market has witnessed tremendous shifts over the last couple of decades (Ni & Zhang, 2019); thus, it is important to investigate the dividend policy matters of listed firms in China. Second, the question of CEO succession's influence on key Chinese corporate choices has become even more pertinent in recent years due to a rapid spike in CEO succession within listed enterprises in the country (Liu, 2020). Accordingly, it is logical from both an academic and practical standpoint to investigate how CEO successors can affect a company's dividend-related decisions in China. Third, China's corporate governance framework has not evolved enough to safeguard investors legally, contrary to advanced economies. Investors in China have consistently advocated openness in corporate governance mechanisms and decision-making processes to preserve their interests, and several academics and researchers have repeatedly decried the Chinese business structure for the paucity of transparency and good governance practices (Wellalage et al., 2014).

Extensive research has examined the influence of CEO characteristics on dividend policy, including CEO duality (Elmagrhi et al., 2017), tenure and ownership (Kumshe et al., 2020), overconfidence (Deshmukh et al., 2013), gender (Chen et al., 2017; McGuinness et al., 2015), and nationality (Mohy-Ud-Din et al., 2022). However, findings remain mixed across different institutional and cultural settings, suggesting that the relationship between CEO traits and dividend policy is highly context-dependent. While prior studies provide valuable insights into how individual CEO characteristics affect dividend decisions, they largely focus on static leadership attributes and overlook the dynamic process of CEO succession. Given that CEO succession

represents a critical organizational event that can alter strategic priorities and corporate policies, examining dividend policy in the context of leadership transitions is particularly important. To the best of our knowledge, no previous study has directly investigated the impact of CEO succession on corporate dividend policy or explored how successor characteristics shape this relationship. This research gap is especially relevant in China, where CEO turnover has increased substantially alongside a growing prevalence of dividend-paying firms (Ni & Zhang, 2019). In an environment characterized by relatively weak investor protection and governance mechanisms, dividends play a crucial role in monitoring management, reducing agency conflicts, and signaling firm quality. Consequently, understanding how CEO succession influences dividend policy offers important insights into corporate governance and financial decision-making in emerging markets.

This study makes five key contributions. First, it introduces CEO succession as the focal unit of analysis, moving beyond static trait-based studies to examine how leadership changes influence dividend policy through heightened board oversight and successor career concerns. Second, it provides the first empirical test of this relationship in China's emerging market context, where dividend policy is especially critical for minority shareholder protection. Third, it jointly examines three theoretically grounded moderators, successor origin, age, and gender, within a unified upper echelons framework, revealing nuanced heterogeneity in post-succession dividend behavior. Fourth, it employs a rigorous multi-method identification strategy (firm fixed effects, System GMM with full diagnostics, propensity score matching with balance tests, and lagged specifications) to address the inherent endogeneity of CEO succession. Fifth, it integrates sustainability framing substantively by positioning consistent dividend policy as a governance mechanism that promotes long-term orientation, reduces agency costs that impede Environment, Social and Governance (ESG) investments, and advances UN SDGs 5, 8, and 9 through inclusive leadership and stable capital allocation.

Theoretically, we integrate upper echelons theory (Hambrick & Mason, 1984; see also Hambrick & Quigley, 2014, on contextualizing the CEO effect), which posits that executive characteristics shape strategic choices, with agency theory and human capital perspectives. New CEOs, facing information asymmetry and career concerns, are incentivized to demonstrate competence through visible financial outcomes such as dividend initiation or increases, particularly outsiders (greater scrutiny), younger successors (longer career horizons), and female leaders (stronger monitoring orientation). We also engage managerial entrenchment arguments:

unlike long-tenured CEOs who may retain cash for private benefits, new successors are less entrenched and more responsive to board and shareholder pressures.

Empirically, using firm and year fixed-effects regressions on 8,341 firm-year observations from CSMAR (2010–2023), we document a robust positive effect of CEO succession on dividend payout ratios. This positive relationship is strengthened by outsider and female successors and weakened by older successors. Results hold across alternative dividend measures (assets, sales, dummy), endogeneity corrections, and additional controls, including CEO tenure and state ownership (SOE).

From a sustainability perspective, our findings suggest that succession planning attentive to successor attributes can serve as an internal governance lever for sustainable corporate performance. Reliable dividend policies reduce information asymmetry and expropriation risks, key barriers to long-term ESG investments, while female leadership directly advances gender equality (SDG 5). By fostering investor confidence and stable capital returns, such policies support economic growth and innovation financing (SDGs 8 and 9). These insights offer practical guidance for boards in emerging markets navigating leadership transitions amid rising ESG expectations.

The remainder of the paper is organized as follows. Section 2 develops hypotheses drawing on upper echelons, agency, and human capital theories, incorporating a conceptual diagram. Section 3 details the data, variables, and identification strategy, including firm fixed effects, Hausman diagnostics, and expanded robustness protocols. Section 4 presents results with interpretation of statistical versus economic significance, marginal effects plots, and full GMM/PSM diagnostics. Section 5 discusses theoretical and practical implications with explicit SDG linkages and positions findings against prior literature; it also discusses the limitations and future research directions. Section 6 concludes the study.

2. Literature review and hypothesis development

2.1 CEO succession and dividend policy

The CEO represents the company in all its commercial operations and is ultimately accountable to the shareholders, who have the power to choose or dismiss the CEO as necessary (Yahaya, 2022). Firms operating in sluggish institutional settings are susceptible to poor corporate governance and insufficient shareholder protection, leading to the prevalence of interest disagreement between major dominating and public shareholders (Chen et al., 2017). Agency issues between minority and majority stockholders are relatively intense in China due to frequent

clashes of tightly held companies' controlling owners with those in the minority (Wellalage et al., 2014). Additionally, agency conflicts may also be triggered by asymmetric information between management and shareholders owing to the emergent stock markets' less maturity, informational opacity, and higher volatility (Deng et al., 2017). Under these scenarios, investors become more wary and circumspect about potential cash flows and rely on dividends for future information (Deng et al., 2017). The choice of dividend distribution is at the discretion of the CEO and executive directors, who are responsible for the firm's profitability and expansion. As the shareholders' representative, the CEO can play a crucial role in formulating an appropriate dividend policy that assists firms in addressing the aforementioned agency concerns. Accordingly, corporations appear to have strong incentives to pay dividends, thereby putting CEOs under pressure to boost performance and maintain or initiate payouts. This is because any dividend discontinuance or cut might lead shareholders to react negatively, raising the possibility of the CEO's termination. Nevertheless, for CEOs who can ward off takeover risks, the motivation to issue dividends as a monitoring mechanism is minimal (La Porta et al., 2000).

Entrenched CEOs pay **lower** dividends when lacking minority shareholder oversight and investor protection (La Porta et al., 2000). Because of the CEO's prominence in the corporate governance framework and its outsized impact on major corporate plans like dividend policy, appointing a competent CEO is critical for a company to perform effectively, maintain a consistent dividend policy that supports sustainable performance, and win the confidence and support of its investors. Therefore, the board should have a succession strategy for preparing and guiding leadership change to ensure the placement of the most suitable individuals in key leadership roles like the CEO (Biggs, 2004). A rigorous and continuous process of CEO succession can help the board execute this task, as it offers an opportunity to adapt the company's strategy to meet its current and future challenges, including those related to ESG integration and long-term value creation.

Upper echelons theory (Hambrick & Mason, 1984) provides a foundational lens for understanding how CEO succession influences strategic outcomes such as dividend policy. The theory posits that organizational behaviors and choices are largely shaped by the characteristics, experiences, cognitive bases, and values of senior executives, particularly the CEO. CEO succession represents a discrete, observable event that disrupts existing routines, heightens the visibility of leadership traits, and triggers recalibration of strategic priorities by boards and external

stakeholders. During such transitions, successor characteristics become more salient because boards and investors scrutinize the new leader's decisions as signals of future direction and competence. Complementing this, the life-cycle theory (DeAngelo et al., 2006) posits that dividend policy evolves with the firm's stage of development. Young, high-growth firms with abundant investment opportunities and low retained earnings tend to retain cash to fund expansion, whereas mature firms with high earned equity (retained earnings relative to contributed capital) and fewer profitable projects are more inclined to pay dividends to mitigate agency costs of free cash flow. In the context of CEO succession, incoming leaders, particularly outsiders or younger successors, may accelerate this transition by increasing payouts to signal maturity, enhance legitimacy, and address governance concerns.

In China's emerging market, characterized by concentrated ownership and information asymmetry, life-cycle considerations make dividends a powerful tool for new CEOs to demonstrate value creation and protect minority shareholders. In contrast, long-tenured CEOs may become entrenched, using their discretion to retain cash flows for empire-building, private benefits, or risk-averse strategies rather than returning capital to shareholders via dividends. Newly appointed CEOs, especially those without deep internal networks or long tenure, are typically less entrenched, face greater career concerns, and have stronger incentives to demonstrate alignment with shareholder interests through visible, credible actions such as dividend increases or initiations. In China's context of concentrated ownership and evolving governance, these dynamics are amplified: new CEOs must navigate political pressures, guanxi networks, and rising demands from minority investors and regulators for better transparency, making dividend policy a particularly potent signaling and monitoring device.

Companies that implement appropriate CEO succession plans are better equipped to recruit, retain, and continuously provide competent leaders in accordance with current needs than firms that do not (Biggs, 2004). This is because when top executives, like CEOs, abruptly leave a firm, there are severe repercussions for the company's strategy, operations, profit creation, and distribution capability, including the incentives for dividend payout. Without a CEO succession strategy, a firm loses value and credibility in the market and among interested parties that are concerned with clarity about who governs the organization, how, and with what principles. In contrast, the CEO succession process is viewed by external stakeholders as an indicator of an organization's prospects (Schepker et al., 2017). It directs the development of important capacities,

specifies the criteria for CEOs' performance assessment, detects flaws, identifies prospective successors, and helps overcome fiefdoms impeding business management, thereby upgrading the firm's corporate governance system to safeguard investors from expropriation risks and other agency concerns (Biggs, 2004). Alternatively, the CEO succession process allows organizations to select appropriate CEO successors in alignment with company plans based on shareholders' interests and expectations and tackle related challenges. Moreover, CEO succession is positively correlated with firm performance and boosts the firm's profit-generating potential (Giambatista et al., 2005), hence increasing the tendency of dividend distribution. Thus, CEO successors, being shareholder representatives, will be incentivized to boost business performance and to increase and secure shareholder benefits through the adoption of a consistent dividend policy and paying higher dividends. Following this reasoning, CEO succession is anticipated to increase the firm's dividend distribution; hence, we postulate the following.

H1: CEO succession positively influences dividend payouts.

2.2 Moderating effect of the CEO successor's origin

The prior section focused on how a CEO successor may affect a firm's dividend policy irrespective of the CEO's characteristics. Upper echelon theory posits that top executives' attributes, especially those of CEOs, influence corporate choices and actions (Hambrick & Mason, 1984; Chaganti & Sambharya, 1987). Among other attributes, CEO origin is recognized as the most relevant for subsequent business performance and policy formation. Several research examined the disparities between inside and outside CEO successors in competence, cognition, knowledge, and motivation, and how these variations affect their decision-making (Cummings & Knott, 2018; Liu, 2020). CEO origin indicates the extent of their familiarity with resource allocation patterns and commitment to company strategies. For instance, inside CEOs, having a stronger attachment to the company, concentrate more on the firm's reputation and sustainable development by engaging in sustainability-related activities like corporate social responsibility (CSR), whereas outside CEOs, lacking connectedness, focus more on first-line operations like sales and marketing in pursuit of favorable financial results (Liu, 2020).

Agency theory posits that managers prioritize themselves over owners (Jensen & Meckling, 1976). Thus, there is a potential for information asymmetry in the CEO selection process because CEO aspirants may purposefully withhold information regarding their skills and talent in pursuit of a higher competitive edge (Biggs, 2004). However, human capital theory underlines the

challenge of human resource transfer across various organizations; therefore, CEO successors, especially outside CEO successors' previously effective experience and knowledge, may not be relevant to the new position (Cummings & Knott, 2018). Given the foregoing, BODs must demonstrate utmost devotion during the CEO selection process to reduce the risk of informational asymmetry and CEO successor competency failure. When the CEO successor is an outsider, the information asymmetry in CEO selection is stronger (Cummings & Knott, 2018), requiring BODs to update their information through intense monitoring in the post-succession period, which might affect the CEO successor's decision-making. Thus, confronting stricter board oversight, outside CEO successors will likely be under more pressure to justify their competence by creating visible financial gains and improving shareholder profits.

A competing perspective suggests that outside successors might initially conserve cash and reduce dividends to fund strategic restructuring, acquisitions, or operational turnarounds, especially if they perceive the firm's prior dividend policy as unsustainable (Schepker et al., 2017). However, in China's institutional environment, characterized by concentrated ownership, limited minority shareholder rights, and high information opacity, the pressure from boards, regulators, and retail investors for visible signals of good governance and equitable treatment is particularly acute. In such settings, the signaling and monitoring benefits of higher dividends are likely to outweigh short-term cash conservation motives, particularly for outsiders who lack internal legitimacy and must quickly establish credibility. Contrarily, the information asymmetry between inside CEO candidates and the board is fairly smaller because the board already has comprehensive knowledge about them; therefore, inside CEO successors encounter comparatively less board oversight and hence are less incentivized to increase shareholders' benefits and are more inclined to use company resources to enhance their reputations (Liu, 2020). In a nutshell, outside CEO successors are more compelled to improve the business's financial performance than inside CEO successors, placing the firm in a strong position to pay dividends, thereby helping to resolve the existing conflicts and avoid investors' adverse reactions. Accordingly, outside CEO successors are anticipated to assist companies in executing a steady dividend policy and disbursing higher dividends; hence, we hypothesize the following.

H2: CEO origin moderates the association between CEO succession and dividend payouts such that an outside CEO successor strengthens the positive influence of CEO succession on dividend payouts.

2.3 Moderating effect of the CEO successor's age

Age plays a vital role in the CEO selection process as the board considers it a crucial element when selecting a CEO. This is because age is one of the most influential demographic factors that influence an individual's thoughts, conduct, and preferences. A person's motives and incentives vary with age, as the old are physically and mentally different from the young (Serfling, 2014). For instance, older CEOs, having shorter prospective careers and better job security, are more likely to exploit corporate resources for their benefits, while younger CEOs are eager to act in compliance with the firm's objectives and investor interests due to their prolonged prospective careers and risk of early dismissal (Liu, 2020). In the CEO succession context, information asymmetry in CEO selection will be greater in the case of younger CEO successors than in the case of older ones because of the difficulty for BODs to collect information from the labor market about the skills and competence of younger successors. Given the higher information asymmetry between the younger CEO successors and the board, the younger successors who have a longer career concern but fewer achievements are likely to be subjected to rigorous board supervision and mounting pressure to show their competence by improving the firm's visible financial outcomes (Yahaya, 2022).

Accordingly, the younger CEO successors' decision-making is bound by the need to demonstrate their talents to boards and shareholders to secure newly acquired leadership positions; hence, constrained by this pressure, they tend to pursue the strategy of enhancing the firm's income-generating ability, eventually enabling the firm to distribute profits to shareholders. By contrast, older CEO successors facing weaker board oversight because of lesser information asymmetry are not restrained from justifying their abilities to the board and shareholders through measurable financial results. Rather, older CEO successors might allocate resources in pursuance of personal inclinations to a greater extent than their younger peers. Moreover, older CEO successors with a shorter projected career life are more concerned with creating social legitimacy and preserving their reputation with dominant stakeholders, thereby engaging in impression management techniques (McGuinness et al., 2015) rather than pursuing profit-generating projects and increasing minority shareholders' benefits.

In line with the above rationale, it is believed that the younger a CEO successor, the more he/she would be incentivized to approve and implement profit-generating initiatives in an effort to prove his/her expertise to the board and align with shareholder interests. Thus, younger CEO

succession is predicted to favorably influence profit distribution to shareholders, enabling companies to implement a consistent dividend policy to safeguard minority shareholders from expropriation risk and lessen information asymmetry. Conversely, older CEO successors are envisaged to be less inclined to boost corporate performance and support companies in paying out regular dividends to assure the rights of minority shareholders. These justifications provide inspiration for the following hypothesis.

H3: CEO age moderates the association between CEO succession and dividend payouts such that an older CEO successor weakens the positive influence of CEO succession on dividend payouts.

2.4 Moderating effect of the CEO successor's gender

Gender's significance in leadership has been well-recognized in the literature, indicating that gender strongly impacts individuals' beliefs, inclinations, and decisions. The discrepancies in the decision-making of male and female leaders can be attributed to disparities in their leadership styles, monitoring intensity, and ethical standards (Nekhili et al., 2018). Extant research indicates that male and female leaders use distinct leadership styles, and female leaders are more effective at leading because they employ a participative approach rather than the directive style adopted by their male peers (Zhang & Qu, 2016). Female leaders are more inclined to adhere to regulations and be more attuned to company concerns than their male peers (Shaheen et al., 2022). Female executives, being more morally conscious and socially influential, can better understand stakeholders' needs and lead to better conflict management, thereby aiding corporations to manage relationships with all stakeholders, including shareholders, and to safeguard and promote their interests more effectively (McGuinness et al., 2015). Additionally, female leaders relate to superior decision-making quality and better managerial discipline because of their higher monitoring intensity, which reduces information opacity and increases transparency (Chen et al., 2017). There is also mounting evidence that female CEOs utilize dividends as a management solution for resolving agency disagreements, and minority and majority shareholders prefer women leaders equally due to their efficacy in bolstering corporate governance processes and dividend preferences (Chen et al., 2017).

Furthermore, literature on the performance effects of gender diversity in corporate leadership demonstrates that female CEOs boost companies' profitability. Davis et al. (2010) found that female-led service businesses of all sizes perform better than those run by males. In terms of CEO

succession, Khan and Vieito (2013) reported that female CEO appointments lead to significantly higher performance and lower risk than male CEO appointments because of female-led companies' stronger market orientation. Zhang & Qu (2016) also state that female participation in companies' top echelons through the succession process may help companies perform better. Female-CEO-driven firms are expected to generate substantial cash flows and distribute larger dividends to alleviate excessive cash flow issues (Mohy-Ud-Din et al., 2022). This is because female CEOs, via their effective supervision, compel managers to repatriate surplus cash to shareholders as dividends, hence cutting the amount accessible for opportunistic expropriation by management and controlling shareholders. Accordingly, it stands to reason that a female CEO successor to a male peer will facilitate dividend distribution via increased firm profitability and improved corporate governance implementation, hence assisting businesses in resolving agency disputes between minority and majority shareholders and corporate insiders and shareholders. We thus hypothesize the following. These arguments also carry direct implications for SDG 5 (Gender Equality), as promoting female successors in CEO transitions can simultaneously improve governance outcomes and advance inclusive leadership in corporate China.

H4: CEO gender moderates the association between CEO succession and dividend payouts such that a female CEO successor strengthens the positive influence of CEO succession on dividend payouts.

Figure 1 provides the theoretical framework of CEO Succession, Moderating Effects of Successor Origin, Age, and Gender on Dividend Policy as a Mechanism for Sustainable Corporate Performance. Grounded in Upper Echelons Theory (executive characteristics and transition events shape strategic choices), Agency Theory (dividends mitigate conflicts and expropriation in weak-protection settings), and Human Capital/Managerial Entrenchment perspectives (new CEOs' career concerns and lower entrenchment drive payout decisions). Sustainability linkage: Consistent, transparent dividend policies reduce agency costs, build stakeholder trust, and support long-term ESG investments, advancing SDG 5 (via female leadership), SDG 8 (economic growth and investor confidence), and SDG 9 (stable financing for innovation).

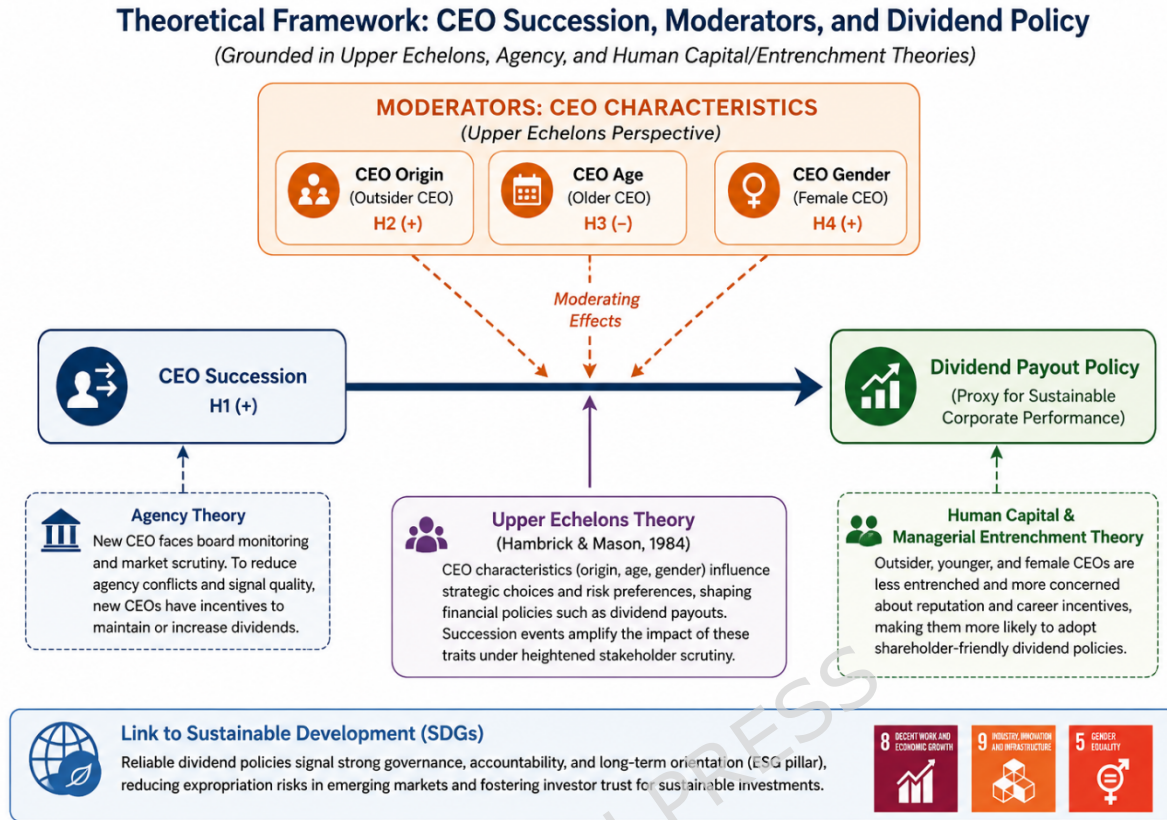


Figure 1: Theoretical framework of this research.

Note: Solid arrow indicates the direct effect (H1). Dashed arrows indicate the moderating effects (H2-H4).

3. Research method

3.1 Sample construction, data sources, and screening process

Our investigation of the impact of CEO succession on a company's dividend payout choices is built on data from a sample of Chinese firms listed on the Shanghai and Shenzhen stock markets. As a starting point, the study considers all publicly traded Chinese A-share companies from 2010 through 2023 available in the China Stock Market and Accounting Research (CSMAR) database, the most comprehensive and widely used source for Chinese corporate governance, financial, and executive data. The initial universe comprised approximately 42,000 firm-year observations. To ensure comparability and avoid bias from fundamentally different regulatory and capital structures, we excluded firms in the financial industry (CSRC industry classification code J), which removed approximately 4,800 firm-year observations. Financial firms face distinct capital requirements, dividend regulations, and governance pressures that would confound comparisons with industrial, manufacturing, and service firms. We further excluded firm-years with missing

data on any of the core study variables (CEO succession events, dividend payouts, moderator characteristics such as successor origin/age/gender, or key control variables), Special Treatment (ST) or *ST firms under regulatory distress (to avoid confounding effects of financial distress on both succession and dividend decisions), and observations with negative book equity or extreme outliers that could distort econometric estimates. Continuous variables were winsorized at the 1st and 99th percentiles to mitigate the influence of extreme values while preserving the economic substance of the data. The final sample is a panel dataset with 8,341 firm-year observations over the 14-year period 2010–2023.

The period 2010–2023 captures both the rise in dividend-paying firms and the increase in CEO turnover, providing sufficient variation for identification while allowing us to control for macroeconomic cycles, regulatory reforms (e.g., dividend encouragement policies), and the COVID-19 shock via year fixed effects.

3.2 Variable specification, measurement, and relevance

Dependent Variables. The primary dependent variable is the dividend payout ratio (Div_Payout), defined as total cash dividends disbursed divided by net income. This measure follows Bradford et al. (2017) and is standard in dividend policy research because it directly captures the proportion of earnings returned to shareholders. To ensure robustness and address potential measurement concerns specific to China (where earnings management or non-cash items can affect net income), we also employ three alternative proxies commonly used in the literature: dividends-to-total assets (Div_Assets), dividends-to-total sales (Div_Sales), and a binary dividend-paying dummy (Div_Dummy = 1 if cash dividends > 0 in the year, 0 otherwise). These alternatives mitigate concerns that results are driven by a single scaling choice and allow us to distinguish effects on payout levels versus the decision to pay at all (initiation or maintenance).

Independent Variable. The key independent variable is CEO succession (CEO_Suc), coded as a dichotomous indicator equal to 1 if the firm experienced a change in its CEO during the fiscal year, and 0 otherwise. This definition follows established practice in succession research (Liu, 2020) and captures the discrete event of leadership transition that triggers the theoretical mechanisms of heightened board scrutiny, information asymmetry resolution, and career-concern incentives.

Moderating Variables. The CEO successor's origin (ORG) is measured as a binary variable equal to 1 if the incoming CEO had worked for the company for not more than one year prior to

appointment (i.e., an outside or external successor), and 0 otherwise (inside or internal successor). It follows standard operationalizations in the CEO succession literature (Liu, 2020; Cummings & Knott, 2018) and is theoretically appropriate because outside successors face greater information asymmetry with the incumbent board and stakeholders, triggering the intensified monitoring and signaling pressures central to H2.

The successor's age (AGE) is calculated as the age (in years) of the incoming CEO at the time of assuming the post in succession years; in non-succession years, AGE equals the age of the incumbent CEO. In the regression models, AGE is standardized (z-scored) to facilitate interpretation of coefficients and marginal effects; descriptive statistics in Table 2 report the raw age in years. Age is a key upper echelons construct proxying for career horizon, risk tolerance, cognitive style, and entrenchment potential (Serfling, 2014).

The successor's gender (GEN) is an indicator variable equal to 1 if the incoming CEO is female, and 0 otherwise. Gender captures differences in leadership style, monitoring intensity, ethical orientation, and stakeholder responsiveness documented in prior work (Chen et al., 2017; Nekhili et al., 2018), with direct relevance to both dividend policy and SDG 5.

Additional Control Variables. CEO tenure (CEO_Tenure) is measured as the number of years the current CEO has served in the position. Longer tenure is associated with greater entrenchment, accumulated firm-specific knowledge, and potentially different dividend preferences (Kumshe et al., 2020), including helping isolate the succession event effect from ongoing tenure dynamics. State ownership (SOE) is a binary indicator equal to 1 if the firm's ultimate controller is a government entity or state-owned enterprise, and 0 otherwise. SOE status is arguably the most important institutional feature of the Chinese corporate governance environment (Duong et al., 2020). SOEs face fundamentally different dividend-setting pressures, often prioritizing social stability, employment, or political objectives over pure shareholder returns, and CEO selection mechanisms that are more politically influenced than in non-SOEs.

Other controls follow established dividend policy literature and are justified as follows in the Chinese setting: CEO duality (CEO_Dual) captures potential agency conflicts from combined CEO-chair roles, which can weaken board monitoring in concentrated ownership firms; CEO ownership (CEO_Own) aligns incentives but may also entrench the CEO; board size (Board_Size) and board independence (Board_Ind) proxy for governance quality and monitoring capacity (larger/independent boards may pressure for higher dividends to protect minority interests);

leverage (LEG) reflects financial constraints and debt-monitoring substitution effects; ROA captures profitability and the capacity to pay dividends; free cash flow scaled by total assets (Free_CF) is central to agency theory of dividends (Jensen, 1986); firm size (Firm_Size) and growth (Firm_Gro) control for life-cycle and investment opportunity effects (mature, low-growth firms pay more dividends); retained earnings-to-assets (RE_TA) captures the earned/contributed capital mix relevant to life-cycle dividend theory (DeAngelo et al., 2006).

Table 1. Variables calculation/definitions

Variables	Calculations/definitions
Dependent variables	
Div_Payout	Dividend/ net income
Div_Assets	Dividend/ total assets
Div_Sales	Dividend/ total sales
Div_Dummy	An indicator coded as “1” for a dividend-paying firm and “0” otherwise.
Independent variable	
CEO_Suc	A dichotomous variable with a value of “1” if a sampling company experiences a CEO succession and “0” otherwise
Moderating Variables	
ORG	An indicator scored “1” if a company changes its current CEO to an individual who has worked for the company for not more than one year (outsider), and “0” otherwise (insider). [Liu, 2020; Cummings & Knott, 2018]
AGE	The age of the CEO successor while assuming the post, if the company undergoes a CEO succession during that year, and the age of the incumbent CEO in the absence of a CEO succession during that year. (Standardized to mean 0 and SD 1 in regression models; raw years reported in descriptives.)
GEN	A binary variable scored “1” if the incoming CEO was a female and “0” otherwise.
Control variables	

CEO-specific factors	
CEO_Tenure	Number of years the current CEO has served in the position. [Added to capture entrenchment; Kumshe et al., 2020]
CEO_Dual	An indicator is set to “1” if both the CEO and the board’s chairman share the same position and “0” otherwise.
CEO_Own	Number of CEO shares/ total shares.
Board-specific factors	
Board_Size	Number of board directors in total.
Board_Ind	Total number of independent directors on the board/board size.
Firm-specific factors	
LEG	Total liabilities / total assets.
ROA	Earnings, including tax & interest / total assets.
Free_CF	(Net income + interest & noncash expenses – working capital – capital expenditure) / total assets. (Scaled by total assets.)
Firm_Size	Log of the company’s total assets.
Firm_Gro	Change in a firm’s total assets.
RE_TA	Retained earnings / total assets.

Note: All continuous variables are winsorized at the 1st and 99th percentiles.

3.3 Estimation model and identification strategy

The study hypotheses are tested employing multivariate regression models on panel data. To address the critical concern that CEO succession is endogenous—often triggered by poor prior performance that also affects dividend policy, and correlated with unobserved firm heterogeneity—we implement a rigorous identification strategy with full transparency and diagnostics. Our baseline specification uses firm fixed effects (to absorb all time-invariant unobserved firm characteristics such as corporate culture, concentrated ownership structure, industry positioning, and guanxi networks that could jointly influence succession decisions and dividend policy) plus year fixed effects (to absorb common macroeconomic, regulatory, and market-wide shocks). Standard errors are clustered at the firm level to account for within-firm serial correlation in dividend policies and governance practices over time. This firm FE + clustered SE approach is standard and appropriate for dividend policy studies where unobserved firm heterogeneity is likely first-order.

We report the Hausman test result comparing fixed effects versus random effects specifications. The test statistic is $\chi^2(14) = 192.37$ with $p = 0.000$, strongly rejecting the null that random effects estimates are consistent and confirming the necessity of firm fixed effects. Model 1 tests H1; Model 2 tests H2–H4 with interactions. Equations are estimated with firm and year fixed effects absorbed via demeaning (or dummy variables) (Gujarati & Porter, 2009).

The baseline models (with firm and year fixed effects) are specified as follows:

Model 1 (H1):

$$\text{Div_Payout}_{it} = \alpha + \beta_1 \text{CEO_Suc}_{it} + \gamma' \text{Controls}_{it} + \text{FirmFE}_i + \text{YearFE}_t + \varepsilon_{it} \quad (1)_{\text{Model}}$$

2 (H2–H4):

$$\begin{aligned} \text{Div_Payout}_{it} = & \alpha + \beta_1 \text{CEO_Suc}_{it} + \beta_2 \text{ORG}_{it} + \beta_3 \text{AGE}_{it} + \beta_4 \text{GEN}_{it} \\ & + \beta_5 (\text{CEO_Suc}_{it} \times \text{ORG}_{it}) + \beta_6 (\text{CEO_Suc}_{it} \times \text{AGE}_{it}) \\ & + \beta_7 (\text{CEO_Suc}_{it} \times \text{GEN}_{it}) + \gamma' \text{Controls}_{it} + \text{FirmFE}_i + \text{YearFE}_t + \varepsilon_{it} \end{aligned} \quad (2)$$

To further strengthen causal inference and address remaining endogeneity concerns (reverse causality, dynamic endogeneity, selection bias), we employ three complementary robustness strategies:

(1) System Generalized Method of Moments (GMM). We implement a two-step System GMM (Blundell-Bond), treating CEO_Suc, the moderators, and their interactions as endogenous, using lagged levels and differences as instruments. This addresses dynamic endogeneity (past dividends influencing current succession risk and vice versa) and simultaneity. We report the full set of diagnostics: AR(1) p-value (expected first-order serial correlation), AR(2) p-value (test of no second-order correlation), Hansen J-test p-value (validity of over-identifying restrictions), and instrument count. These diagnostics confirm instrument validity and model specification (detailed in Section 4.3.2 and Table 5).

(2) Propensity Score Matching (PSM). To address selection on observables (firms with certain characteristics are more likely to experience succession and have different dividend policies), we estimate propensity scores via logit regression on all control variables plus industry and year dummies. We apply 1:1 nearest-neighbor matching with a caliper width of 0.05, without replacement. We report implementation details and balance diagnostics: standardized mean differences (|SMD|) for all matching variables (target |SMD| < 0.10 or stricter < 0.05), pseudo-R², and likelihood-ratio test of joint significance of covariates after matching. These confirm successful balancing and credible counterfactual construction (detailed in Section 4.3.2 and Table 5).

(3) Lagged independent variable specification. Using one-year lagged CEO_Suc mitigates concerns that contemporaneous succession is driven by current dividend policy or performance expectations.

Collectively, these strategies—firm FE absorbing time-invariant confounders, GMM addressing dynamic/reverse causality, PSM creating matched counterfactuals on observables, and lagged specs—provide robust identification. We also add VIF diagnostics (maximum VIF = 3.82 for Firm_Size; all others < 3.5) to confirm multicollinearity is not a concern.

4. Empirical results and discussion

4.1 Descriptive statistics

Table 2 presents descriptive statistics for the final sample of 8,341 firm-year observations. Approximately 63.16% of firms paid dividends, with firms distributing on average 14.6% of net income as dividends. CEO succession occurred in 31.20% of observations, consistent with rising turnover in Chinese listed firms. Outside successors (ORG = 1) account for 28.21% of all firm-years. Among the 2,602 succession events themselves, 2,353 (90.4%) involved outside successors. This high outsider share follows from our strict one-year employment threshold for classifying outsiders and should not be read as the broader insider-promotion norm in Chinese listed firms (where prior studies often report 40–60% insiders; e.g., Liu, 2020; Zhang & Qu, 2016). It may also reflect increasing external hiring trends amid governance reforms. Female successors account for 10.68% of firm-years (or about 34% of successions, given the base rate). The average CEO age is 52.21 years, with a mean tenure of 5.38 years. SOE firms constitute 34.7% of the sample, reflecting the continued importance of state ownership in China's corporate sector. The addition of CEO_Tenure and SOE improves specification and allows heterogeneity exploration.

Table 2. Descriptive statistics

Variables	Obs.	Mean	SD	Min	Max
Div_Payout	8,341	0.146	0.132	0.000	0.461
Div_Assets	8,341	0.015	0.014	0.000	0.068
Div_Sales	8,341	0.022	0.019	0.000	0.081
AGE	8,341	52.21	6.85	34.00	71.00
CEO_Tenure	8,341	5.38	4.12	0.00	18.00
CEO_Own	8,341	0.047	0.089	0.000	0.412

Board_Size	8,341	8.12	1.09	5.00	18.00
Board_Ind	8,341	0.381	0.045	0.165	0.743
SOE	8,341	0.347	0.476	0.000	1.000
LEG	8,341	0.482	0.187	0.052	0.892
ROA	8,341	0.052	0.078	-0.215	0.287
Free_CF	8,341	0.028	0.075	-0.112	0.215
Firm_Size	8,341	22.56	1.03	19.82	26.71
Firm_Gro	8,341	0.189	0.018	0.010	0.330
RE_TA	8,341	0.112	0.145	-0.089	0.456
Dummy Variables	Obs.	Freq. 0	Freq. 1	% 0	% 1
Div_Dummy	8,341	3,073	5,268	36.84	63.16
CEO_Suc	8,341	5,739	2,602	68.80	31.20
ORG (Outsider = 1)	8,341	5,988	2,353	71.79	28.21
GEN (Female = 1)	8,341	7,450	891	89.32	10.68
CEO_Dual	8,341	6,479	1,862	77.67	22.33

Note: Data from CSMAR 2010–2023, winsorized at 1%/99%. ORG = 1 for outside successors (≤ 1 year prior employment). 28.21% of all firm-years have ORG = 1; among 2,602 succession events, outsider share is 90.4% (arising from the strict one-year prior-employment definition rather than the broader Chinese insider-promotion norm).

4.2 Main regression results

Table 3 reports the firm and year fixed-effects regression results. In Model 1, the coefficient on CEO_Suc is positive and statistically significant ($\beta = 0.015$, $t = 1.97$, $p < 0.05$), supporting H1. Economically, this implies that CEO succession is associated with a 1.5 percentage point higher dividend payout ratio (from Model 1 of Table 3). Relative to the sample mean of 14.6%, this represents approximately a 10% relative increase—an economically meaningful shift in China's context where dividend policy is a key signal to retail investors and a governance tool amid concentrated ownership and information asymmetry. In China's emerging market, where minority shareholders often fear expropriation by controlling shareholders or managers, a new CEO's decision to increase or initiate dividends serves as a credible, visible commitment to equitable treatment and financial discipline, reducing agency costs and enhancing investor confidence. This finding aligns with upper echelons and entrenchment perspectives: new CEOs, less entrenched

than long-tenured predecessors, respond to board and market pressures by adopting shareholder-friendly payout policies.

Models 2–3 test H2. The interaction term $\text{CEO_Suc} \times \text{ORG}$ is positive and significant ($\beta = 0.078$, $t = 2.11$, $p < 0.05$; from Model 3 of Table 3), indicating that outside successors amplify the positive effect of succession on dividend payouts. In China, outside CEOs face greater information asymmetry with boards that may have political or relational ties to the prior leadership; intensified post-succession monitoring creates strong career concerns, prompting outsiders to signal competence through higher dividends. This is particularly salient in China's guanxi-influenced corporate culture, where external appointees must quickly establish legitimacy with both state and private stakeholders. The main effect of ORG is also positive, suggesting outsiders are associated with higher baseline payouts. While a competing view posits that outsiders might initially cut dividends to conserve cash for restructuring (Schepker et al., 2017), our results and robustness checks indicate that in China's weak-protection environment, the signaling benefit dominates.

Models 4–5 test H3. The main effect of AGE is statistically insignificant, as theoretically anticipated and explicitly noted: age alone does not dictate dividend policy once firm heterogeneity and other governance factors are controlled; rather, age moderates the succession dynamic through career horizon and scrutiny intensity. The interaction $\text{CEO_Suc} \times \text{AGE}$ is negative and significant ($\beta = -0.098$, $t = -1.98$, $p < 0.05$; from Model 5 of Table 3), confirming that older successors attenuate the positive succession–dividend link. In China, older CEOs often have accumulated relational capital and shorter career horizons, reducing both board pressure and personal incentives to prove competence via aggressive payouts. Younger successors, facing longer career concerns and higher scrutiny in opaque information environments, are more motivated to deliver visible financial outcomes. Figure 2 (left panel) visualizes this declining marginal effect of succession across age levels.

Importantly, the insignificant direct (main) effect of AGE observed in our empirical results is not problematic and is, in fact, theoretically expected. Age alone does not determine dividend policy in isolation; rather, it moderates the succession effect by shaping the intensity of career concerns, board scrutiny, and entrenchment pressures that are activated specifically during leadership transitions. In non-succession years, the incumbent CEO's age has limited incremental explanatory power for payout decisions once firm fixed effects and other governance controls are accounted for. The moderation (interaction) term captures the context-dependent nature of age

effects, consistent with upper echelons logic that demographic influences are amplified under conditions of heightened observability and accountability. Because AGE is standardized (z-scored) in the regressions, the main-effect coefficients are also estimated on this standardized scale (e.g., -0.008 and -0.012 in Models 4 and 5) and remain insignificant, while the interaction coefficient of -0.098 indicates that a one-standard-deviation increase in successor age attenuates the succession effect on the payout ratio by 0.098 percentage points. Both the main effect and the interaction are therefore reported on the same (standardized) scale.

Models 6–7 test H4. Both the main effect of GEN and the interaction $\text{CEO_Suc} \times \text{GEN}$ are positive and significant. Female successors are associated with higher dividend payouts, amplified during succession years. In China's male-dominated corporate leadership landscape, female appointees often face heightened scrutiny ("glass cliff" dynamics) and bring distinct monitoring intensity and stakeholder orientation, leading to stronger governance implementation and dividend discipline (Chen et al., 2017). This finding has direct implications for SDG 5: promoting female CEO successors can simultaneously advance gender equality in leadership and improve corporate governance outcomes valued by investors and regulators. Figure 2 (right panel) illustrates the larger succession effect for female versus male subgroups.

The controls perform in the context of China: CEO_Tenure enters positively but insignificantly (consistent with mixed evidence on entrenchment versus accumulated experience effects, where longer tenure can build valuable *guanxi* networks that support stable payout policies). SOE is positive and often significant, as state-owned firms in this sample distribute higher dividends, possibly reflecting policy directives to support minority shareholders or national development goals (Duong et al., 2020). CEO_Dual enters negatively and significantly, consistent with agency theory—combined leadership roles weaken board oversight in concentrated ownership structures common in China, allowing managers to retain cash rather than distribute dividends. CEO_Own is positive and significant, as equity stakes align CEO interests with shareholders, encouraging payouts amid weak minority protections. Board_Size and Board_Ind are both positive and significant, reflecting that larger and more independent boards enhance monitoring and pressure for shareholder-friendly policies, a key governance mechanism in China's environment of information asymmetry and retail-investor reliance on dividends as signals. LEG enters negatively, as higher leverage constrains free cash flow available for dividends through debt-servicing obligations. Profitability (ROA) and free cash flow (Free_CF) are strongly positive,

as expected: more profitable firms with excess cash distribute higher dividends, supporting the residual dividend model and agency cost reduction in emerging markets. Firm_Size and Firm_Gro are positive, indicating that larger, growing firms in China use dividends to signal quality and attract external capital amid underdeveloped bond markets. RE_TA is positive and significant, consistent with the life-cycle theory—firms with more earned (versus contributed) capital are mature enough to return cash to shareholders (DeAngelo et al., 2006). R² values (0.20–0.29) are consistent with prior panel studies of dividend policy in emerging markets (Chen et al., 2017; Ni & Zhang, 2019).

Table 3. CEO succession and dividend policy-main regression results

Variable	Model 1	Model 2 (ORG)	Model 3 (ORG Int.)	Model 4 (AGE)	Model 5 (AGE Int.)	Model 6 (GEN)	Model 7 (GEN Int.)
CEO_Suc	0.015** (1.97)	0.014** (1.89)	0.013** (1.82)	0.012** (1.95)	0.011** (1.76)	0.023** (2.26)	0.013** (1.85)
ORG		0.023** (2.29)	0.036** (2.42)				
AGE				-0.008 (-0.47)	-0.012 (-0.64)		
GEN						0.022** (2.53)	0.011** (2.27)
CEO_Suc*ORG			0.078** (2.11)				
CEO_Suc*AGE					-0.098** (-1.98)		
CEO_Suc*GEN							0.027** (2.05)
CEO_Dual	-0.033** (-2.11)	-0.040** (-2.18)	-0.029** (-2.56)	-0.018* (-1.88)	-0.048* (-1.84)	-0.038* (-1.78)	-0.043* (-1.86)

[illegible]

Variable	Model 1	Model 2 (ORG)	Model 3 (ORG Int.)	Model 4 (AGE)	Model 5 (AGE Int.)	Model 6 (GEN)	Model 7 (GEN Int.)
N	8,341	8,341	8,341	8,341	8,341	8,341	8,341
R ²	0.198	0.286	0.273	0.280	0.281	0.260	0.289
VIF (max)	3.12	3.45	3.28	3.67	3.51	3.82	3.62

Note: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Model numbering is clarified in the table note: Columns (2), (4), and (6) include moderator main effects; (3), (5), and (7) add interactions. t-values are in parentheses. Models 2/3 test origin moderation, Models 4/5 test age moderation, and Models 6/7 test gender moderation. VIF values confirm no serious multicollinearity concerns.

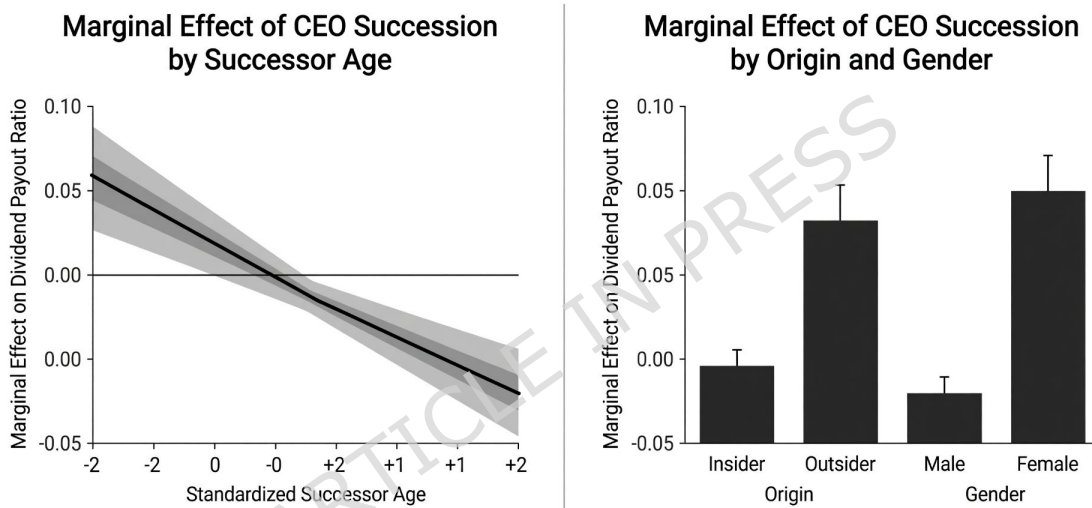


Figure 2. Marginal Effects Plots.

4.3 Robustness checks

4.3.1 Alternative Dividend Policy Measures

To ensure reliability, we conduct extensive robustness checks using alternative dividend measures, endogeneity corrections with full diagnostics, and heterogeneity analyses. All results remain consistent in sign, significance, and economic magnitude.

To ensure that our findings are not driven by the choice of dividend payout measure, we re-estimate the baseline models using three alternative dependent variables: dividends-to-total assets (Div_Assets), dividends-to-total sales (Div_Sales), and a dividend dummy variable (Div_Dummy). The results, presented in Table 4 (Panels A–C), remain qualitatively and quantitatively consistent with the main findings reported in Table 3. CEO succession continues to

exert a positive and statistically significant effect on dividend payouts across all alternative specifications. The moderating roles of CEO origin (stronger positive effect for outsiders), age (weaker effect for older successors), and gender (stronger effect for female successors) are also robust.

The additional controls, CEO_Tenure and SOE, do not alter the core results. CEO tenure shows a consistently positive but statistically insignificant association with dividend payouts, suggesting that the length of a CEO's service has limited direct influence once succession dynamics are accounted for. The SOE dummy is positive and significant in several specifications, consistent with the institutional context of China, where state-owned enterprises often face stronger political and social pressures to distribute dividends to support minority shareholders and national development goals. Overall, these robustness checks using alternative dividend proxies reinforce the reliability of our conclusions regarding the positive impact of CEO succession on corporate dividend policy and the important moderating influence of successor characteristics.

Table 4. Alternative Measures of Dividend Policy

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
Panel A: Dependent Variable = Div_Assets (Dividends / Total Assets)							
CEO_Suc	0.024** (2.05)	0.024** (2.19)	0.019** (2.31)	0.041** (2.12)	0.035** (1.97)	0.027** (2.14)	0.029** (2.18)
ORG		0.082** (2.42)	0.100** (2.39)				
AGE				-0.034 (-0.22)	-0.028 (-0.46)		
GEN						0.052** (2.34)	0.061** (2.45)
CEO_Suc×ORG			0.059** (2.08)				
CEO_Suc×AGE					-0.061** (-2.57)		

[illegible]

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
CEO_Tenure	0.004 (1.31)	0.003 (1.18)	0.005 (1.42)	0.002 (0.95)	0.004 (1.29)	0.005 (1.47)	0.003 (1.15)
SOE	0.009* (1.78)	0.007 (1.62)	0.010* (1.85)	0.006 (1.51)	0.008* (1.69)	0.011** (2.11)	0.008* (1.74)
Other Controls	Included	Included	Included	Included	Included	Included	Included
Firm & Year FE	Included	Included	Included	Included	Included	Included	Included
N	8,341	8,341	8,341	8,341	8,341	8,341	8,341
R ²	0.263	0.272	0.285	0.276	0.281	0.271	0.284
Panel C: Dependent Variable = Div_Dummy (Logit – Marginal Effects)							
CEO_Suc	0.018** (2.17)	0.014** (2.18)	0.023** (2.44)	0.019** (2.21)	0.012** (2.37)	0.0234** (2.01)	0.022** (1.99)
ORG		0.028** (2.08)	0.016** (2.19)				
AGE				-0.032 (-0.26)	-0.019 (-0.29)		
GEN						0.038** (2.58)	0.027** (2.27)
CEO_Suc×ORG			0.034** (2.39)				
CEO_Suc×AGE					-0.036** (-2.34)		
CEO_Suc×GEN							0.038** (2.52)
CEO_Tenure	0.002 (1.15)	0.003 (1.28)	0.001 (0.89)	0.004 (1.37)	0.002 (1.11)	0.003 (1.24)	0.002 (1.06)

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
SOE	0.011* (1.69)	0.009 (1.52)	0.012* (1.76)	0.008 (1.44)	0.010* (1.63)	0.014** (1.98)	0.010* (1.71)
Other Controls	Included	Included	Included	Included	Included	Included	Included
Firm & Year FE	Included	Included	Included	Included	Included	Included	Included
N	8,341	8,341	8,341	8,341	8,341	8,341	8,341
Pseudo R ²	0.271	0.274	0.287	0.285	0.290	0.272	0.282

Note: *p < 0.10, **p < 0.05, ***p < 0.01. t-values are in parentheses.

4.3.2 Addressing Endogeneity Concerns

A major concern in studies examining CEO succession is endogeneity, as CEO turnover is rarely random and is often triggered by poor prior firm performance, governance issues, or strategic restructuring, factors that may simultaneously influence dividend policy. To establish more credible causal inference, we employ three complementary identification strategies: System Generalized Method of Moments (GMM), a lagged specification to mitigate reverse causality, and Propensity Score Matching (PSM). The results are reported in Table 5 (Panels A–C) and strongly confirm the robustness of our main findings.

Panel A presents the System GMM estimation. This dynamic panel approach effectively controls for unobserved heterogeneity, potential omitted variable bias, and endogeneity by using lagged levels and differences of the explanatory variables as instruments. Following standard practice in corporate finance research, we report key diagnostic statistics to validate the specification. The AR(1) test is significant ($p < 0.01$), while the AR(2) test is insignificant ($p = 0.274$), indicating no second-order serial correlation. The Hansen J-test of over-identifying restrictions yields a p-value of 0.168, suggesting that our instruments are valid and exogenous. We use 48 instruments and apply the Windmeijer correction for finite-sample bias in standard errors. In these GMM specifications, the coefficient on CEO_Suc remains positive and significant, and the interaction terms with ORG, AGE, and GEN retain their expected signs and statistical significance. The inclusion of CEO_Tenure (generally insignificant) and SOE (positive and significant in most models) does not alter these conclusions.

Panel B addresses potential reverse causality by using the one-period lagged value of CEO succession (*CEO_Suc t-1*). This specification helps ensure that dividend policy decisions do not influence the likelihood of CEO turnover in the same period. The results continue to show a strong positive association between lagged CEO succession and current dividend payouts, with the moderating effects of successor origin (stronger for outsiders), age (weaker for older successors), and gender (stronger for females) remaining robust. These findings alleviate concerns that our results merely capture firms already adjusting dividends before leadership changes.

Panel C reports results from Propensity Score Matching (PSM). We first estimate propensity scores using a logit model that includes all control variables and firm and year fixed effects. We then apply 1:1 nearest-neighbor matching with a caliper of 0.05 and no replacement. Post-matching diagnostics confirm excellent covariate balance: all covariates show absolute standardized mean differences below 0.05. The likelihood-ratio test of the joint significance of covariates after matching is insignificant ($p = 0.712$), as expected for successful balancing. The mean standardized bias after matching is low (0.009) in the baseline model. The matched sample regressions yield coefficients on *CEO_Suc* and the interaction terms that are very similar in sign and significance to the baseline results. This non-parametric approach further strengthens the causal interpretation by comparing firms that experienced CEO succession with otherwise highly similar firms that did not.

Collectively, the three endogeneity-robust strategies in Table 5 demonstrate that our core findings are not driven by unobserved heterogeneity, reverse causality, or selection bias. In the Chinese institutional context, characterized by concentrated ownership, weak minority shareholder protection, and frequent political influences on executive appointments, these rigorous checks are particularly important. The consistent positive effect of CEO succession on dividend payouts, amplified by outsider and female successors but attenuated by older successors, suggests that leadership transitions can serve as a credible mechanism to improve governance quality and reduce agency conflicts. This has direct implications for sustainable business performance, as stable and transparent dividend policies signal long-term orientation, enhance investor confidence, and support the allocation of resources toward ESG initiatives aligned with SDGs 8, 9, and 5.

Table 5. Robustness Checks for Endogeneity Concerns

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
Panel A: System GMM Estimation							
CEO_Suc	0.018** (1.99)	0.031** (2.28)	0.029** (2.32)	0.036** (2.04)	0.040** (1.93)	0.034** (2.33)	0.028** (2.41)
ORG		0.035** (2.61)	0.048** (2.57)				
AGE				-0.084 (-0.54)	-0.063 (-0.47)		
GEN						0.030** (2.22)	0.025** (2.34)
CEO_Suc×ORG			0.064** (2.15)				
CEO_Suc×AGE					-0.094** (-2.51)		
CEO_Suc×GEN							0.023** (2.44)
CEO_Tenure	0.006 (1.38)	0.005 (1.25)	0.007 (1.49)	0.004 (1.12)	0.006 (1.31)	0.007 (1.52)	0.005 (1.27)
SOE	0.018** (2.12)	0.014* (1.89)	0.017** (2.05)	0.013* (1.76)	0.016** (1.98)	0.021** (2.31)	0.015* (1.84)
Lagged	0.214***	0.199***	0.187***	0.311***	0.298***	0.247***	0.302***
Div_Payout	(11.05)	(9.32)	(10.14)	(7.78)	(6.26)	(9.34)	(12.01)
Other Controls	Included	Included	Included	Included	Included	Included	Included
Firm & Year FE	Included	Included	Included	Included	Included	Included	Included
N	8,341	8,341	8,341	8,341	8,341	8,341	8,341
AR(1) p-value	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AR(2) p-value	0.274	0.281	0.269	0.292	0.277	0.265	0.283

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
Hansen J p-value	0.168	0.175	0.159	0.182	0.171	0.164	0.179
Panel B: Lagged Specification (Reverse Causality Check)							
CEO_Suc (t-1)	0.101** (2.39)	0.053** (2.23)	0.046** (2.27)	0.102** (2.30)	0.105** (2.32)	0.055** (2.13)	0.062** (2.21)
ORG		0.042** (2.51)	0.040** (2.49)				
AGE				-0.039 (-0.32)	-0.028 (-0.27)		
GEN						0.037** (2.20)	0.041** (2.19)
CEO_Suc×ORG			0.066** (2.56)				
CEO_Suc×AGE					-0.092** (-2.38)		
CEO_Suc×GEN							0.073** (2.28)
CEO_Tenure	0.009 (1.52)	0.008 (1.41)	0.010 (1.63)	0.007 (1.29)	0.009 (1.48)	0.011 (1.71)	0.008 (1.39)
SOE	0.022** (2.25)	0.019** (2.08)	0.021** (2.19)	0.017* (1.92)	0.020** (2.14)	0.024** (2.37)	0.018** (2.01)
Other Controls	Included	Included	Included	Included	Included	Included	Included
Firm & Year FE	Included	Included	Included	Included	Included	Included	Included
N	8,341	8,341	8,341	8,341	8,341	8,341	8,341
R²	0.271	0.279	0.283	0.276	0.285	0.274	0.287
Panel C: Propensity Score Matching (1:1 Nearest Neighbor, Caliper 0.05)							

Variable	(1)	(2) ORG	(3) ORG×Suc	(4) AGE	(5) AGE×Suc	(6) GEN	(7) GEN×Suc
CEO_Suc	0.038** (2.09)	0.041** (2.39)	0.063** (2.33)	0.070** (2.28)	0.054* (2.31)	0.042** (2.46)	0.051** (2.38)
ORG		0.061** (2.26)	0.059** (2.19)				
AGE				-0.050 (-0.40)	-0.046 (-0.34)		
GEN						0.027** (2.15)	0.037** (2.09)
CEO_Suc×ORG			0.046** (2.52)				
CEO_Suc×AGE					-0.069** (-2.30)		
CEO_Suc×GEN							0.054** (2.19)
CEO_Tenure	0.005 (1.29)	0.006 (1.41)	0.004 (1.17)	0.007 (1.52)	0.005 (1.33)	0.006 (1.45)	0.004 (1.22)
SOE	0.019** (2.18)	0.016* (1.94)	0.018** (2.07)	0.014* (1.81)	0.017** (1.99)	0.022** (2.26)	0.015* (1.87)
Other Controls	Included	Included	Included	Included	Included	Included	Included
Firm & Year FE	Included	Included	Included	Included	Included	Included	Included
N (Matched)	5,204	5,204	5,204	5,204	5,204	5,204	5,204
Pseudo R ²	0.272	0.279	0.286	0.274	0.289	0.273	0.285
Mean							
Standardized							
Bias (Post-match)	0.009	0.008	0.010	0.007	0.009	0.011	0.008

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. t-values are in parentheses. Panel A (GMM): 48 instruments; two-step System GMM with Windmeijer-corrected standard errors. Panel C (PSM): likelihood-ratio test $p = 0.712$; mean standardized bias post-match = 0.009 in the baseline model.

5. Discussion and implications

5.1 Positioning relative to prior literature

This study positions itself at the intersection of CEO succession, corporate dividend policy, and sustainability research, offering incremental yet meaningful contributions while addressing several gaps in the existing literature.

Our work builds upon and extends key studies on CEO succession in the Chinese context. Zhang and Qu (2016) examined the performance implications of CEO succession accompanied by gender change in Chinese listed firms (1997–2010) and found positive effects on firm outcomes when female successors were appointed. We advance this line of inquiry by focusing specifically on dividend policy as the outcome variable and by incorporating three moderators (origin, age, and gender) simultaneously. Our results confirm the beneficial role of female successors but further reveal that outsider origin and younger age also strengthen the succession–dividend relationship, providing a more nuanced understanding of successor characteristics.

Similarly, Liu (2020) highlighted how new CEOs engage in impression management through increased CSR activities to reduce the risk of early dismissal. Our findings complement this by showing that outsider and younger successors also respond to such pressures through financial signaling via higher dividend payouts. This suggests that impression management in the post-succession period operates across both non-financial (CSR) and financial (dividends) domains, particularly in China's opaque institutional environment, where dividends serve as a credible signal to minority investors.

Shaheen et al. (2022) investigated female CEO succession and its impact on corporate social disclosure in China, emphasizing the moderating role of ownership structure and firm performance. Our study extends their work by demonstrating that female successors not only enhance non-financial disclosure but also promote more generous dividend policies, a direct mechanism for addressing agency conflicts and supporting sustainable shareholder returns. The consistency across these studies strengthens the case for gender diversity in leadership as a driver of both financial and sustainability-oriented outcomes.

In the broader dividend policy literature, our paper differs from studies focused on static CEO characteristics such as tenure, duality, or overconfidence (e.g., Yahaya, 2022; Deshmukh et al., 2013). By treating CEO succession as the primary event and examining dynamic moderator effects, we respond to calls for research that views leadership transitions as pivotal moments for strategic change (Schepker et al., 2017). Furthermore, while many prior studies treat dividend policy in isolation, we explicitly link it to sustainable business performance by framing consistent dividends as a governance tool that reduces expropriation risks, builds investor trust, and facilitates long-term value creation in emerging markets.

By integrating Upper Echelons Theory, Agency Theory, and Human Capital/Entrenchment perspectives within a unified empirical framework, and by grounding the analysis in China's unique institutional setting (concentrated ownership, state influence, and evolving dividend culture), this study bridges corporate governance and sustainability literatures in a novel way.

5.2 Theoretical implications

This study makes several important theoretical contributions to the corporate governance, leadership succession, and dividend policy literatures. First, it extends Upper Echelons Theory (Hambrick & Mason, 1984) by demonstrating that CEO succession represents a critical inflection point where the observable demographic and experiential characteristics of the incoming CEO (origin, age, and gender) exert a pronounced influence on strategic financial decisions. While prior research has largely examined static CEO traits in established leadership positions, our findings highlight how the succession event itself amplifies the visibility and impact of these characteristics under heightened board and market scrutiny. The consistent moderating effects observed across multiple specifications underscore that successor attributes are not merely additive but interact dynamically with the succession process to shape dividend outcomes.

Second, the study enriches Agency Theory (Jensen & Meckling, 1976) by positioning consistent dividend payouts as an effective governance mechanism in emerging markets with concentrated ownership and weak investor protection, such as China. CEO succession appears to act as a natural “reset” that reduces information asymmetry and managerial entrenchment. Outsider successors (ORG), facing greater board oversight and legitimacy pressures, are more inclined to increase dividends to signal credibility and mitigate expropriation risks. Similarly, female successors strengthen this effect through higher monitoring intensity and ethical orientation, aligning with SDG 5 (Gender Equality) by demonstrating how gender diversity in leadership can improve governance quality. In contrast, older successors exhibit weaker dividend-increasing behavior, consistent with managerial entrenchment arguments, as they may prioritize personal reputation through non-financial activities over immediate shareholder returns.

Our results also contribute to the literature on Human Capital Theory and Managerial Entrenchment. Younger and outsider CEOs, with longer career horizons and less firm-specific entrenchment, exhibit stronger incentives to enhance firm performance and distribute dividends to build reputation and secure their positions. This dynamic is particularly salient in China’s institutional environment, where political connections, state ownership, and guanxi networks often influence executive appointments. The positive SOE coefficient in robustness tests further illustrates how state-linked firms face additional pressures to maintain stable dividends as part of broader national development objectives.

5.3 Practical implications

The findings of this study offer several actionable insights for corporate boards, policymakers, investors, and regulators, particularly in emerging markets like China, where corporate governance mechanisms are still evolving, and sustainable business practices are increasingly emphasized.

For Corporate Boards and Succession Planning: Boards should treat CEO succession not merely as a leadership transition but as a strategic opportunity to strengthen dividend policy and long-term governance. Our results consistently show that CEO succession is associated with higher dividend payouts. This effect is significantly amplified when the successor is an outsider or female, and attenuated when the successor is older. Therefore, boards are encouraged to prioritize outsider candidates and younger executives with proven track records when designing succession plans, especially in firms aiming to improve shareholder returns and signal commitment to

sustainable performance. The stronger effect among female successors further supports the appointment of women to top leadership positions, aligning with both performance objectives and SDG 5 (Gender Equality). Boards should also integrate dividend policy expectations explicitly into CEO performance evaluation criteria during the post-succession period to maximize the governance benefits of leadership transitions.

For Policymakers and Regulators: In China's institutional context, characterized by concentrated ownership, significant state influence (SOE), and historical concerns over minority shareholder protection, regulators can leverage these insights to promote better governance. Policies that encourage professionalization of CEO selection (e.g., favoring merit-based outsider appointments) and gender diversity in executive roles could lead to more stable and transparent dividend policies. The positive association between SOE status and dividend payouts in our robustness tests suggests that state-owned enterprises can play a leading role in modeling responsible payout behavior. Regulators may consider incorporating succession planning quality and dividend consistency into corporate governance scoring systems or ESG disclosure guidelines, thereby supporting the broader goals of sustainable development (SDG 8 and SDG 9).

For Investors and Institutional Shareholders: Investors can use CEO succession events as valuable signals when making investment decisions. Firms experiencing outsider or female CEO successions are more likely to increase or maintain consistent dividend payouts, which serve as credible commitments to reducing agency costs and supporting long-term value creation. In an environment where information asymmetry is high, dividends act as a powerful monitoring substitute. Institutional investors and minority shareholders should actively engage with boards on succession planning, advocating for candidates whose profiles (outsider status, younger age, female) align with stronger dividend commitments and sustainability orientation. This is particularly relevant for foreign investors seeking stable cash flows and governance improvements in Chinese listed firms.

For Sustainability and ESG Integration: By demonstrating that effective CEO succession enhances dividend policy, a key governance pillar of ESG, our study provides firms with a concrete internal mechanism to advance sustainable business performance. Reliable dividend payouts reduce expropriation risks, build investor trust, and free up resources for long-term investments in innovation, employee welfare, and environmental initiatives. Companies can therefore incorporate succession planning into their ESG strategies, using leadership transitions as

catalysts for stronger governance and stakeholder alignment. This approach is especially pertinent for firms pursuing B Corp certification or alignment with the United Nations Sustainable Development Goals.

5.4 Limitations and future research scope

While our multi-method identification strategy with full diagnostics substantially strengthens causal inference, CEO succession remains inherently endogenous; future research could exploit cleaner quasi-natural experiments (e.g., mandatory CEO retirement age rules in SOEs, sudden health events, or regulatory shocks to succession processes) or develop credible external instruments. Data limitations in CSMAR prevented a fully granular family vs. non-family subsample analysis (complex ultimate-controller tracing required); this is an important future direction given that succession dynamics, entrenchment, and dividend preferences may differ markedly in family-controlled firms prevalent in China's private sector. Further analyses distinguishing between state-owned enterprises (SOEs) and non-SOEs, as well as forced versus voluntary CEO succession, could be conducted. The China-specific institutional context (concentrated ownership, state influence, evolving but imperfect governance) limits direct generalizability, although findings are likely relevant to other emerging markets with similar features; cross-country comparative studies would strengthen external validity. Our sustainability framing centers on the governance pillar via dividend consistency as a proxy; future work could integrate direct environmental or social performance metrics (e.g., ESG scores, carbon emissions, employee welfare) to test broader ESG linkages. Additional mechanism tests, such as post-succession board meeting frequency, analyst coverage as an information asymmetry proxy, or mediation via free cash flow reduction, would further illuminate channels.

6. Conclusion

This study provides robust evidence that CEO succession positively influences corporate dividend policy in Chinese listed firms, with effects moderated by successor origin, age, and gender in theoretically predicted directions. Outside and female successors amplify the positive succession effect on dividends, while older successors attenuate it—patterns consistent with upper echelons, agency, and entrenchment perspectives in China's unique institutional environment of concentrated ownership, information opacity, and evolving governance. The results carry significant implications for boards navigating leadership transitions, regulators seeking to improve corporate governance, and investors evaluating signals in China's capital markets. Moreover, the

findings suggest that succession planning attentive to successor attributes can serve as a powerful internal mechanism for advancing sustainable corporate performance, promoting long-term orientation, reducing agency costs that hinder ESG investments, and contributing to gender equality in leadership (SDG 5), economic growth and investor confidence (SDG 8), and stable financing for innovation (SDG 9).

Declarations

Data Availability Statement: The data that support the findings of this study are available from the corresponding author upon reasonable request.

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