

**CHARACTERISTIC OF INTRAFAMILY SUCCESSION IN
CHINESE FAMILY BUSINESS FROM A KNOWLEDGE
AND RESOURCE-BASED VIEW**

WU ZIYU

Dissertation submitted as partial requirement for the conferral of
Master in Business Administration

Supervisor:
Prof. Alexandra Fernandes, ISCTE Business School, Department of General Management
Faculty

June 2019

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Resumo

A tese analisa teorias relevantes sobre negócios familiares e sua sucessão em primeiro lugar, em seguida, resume o desafio das empresas familiares chinesas em geral. Adota o método de pesquisa qualitativa de um estudo único, os negócios da família do Sr. Zhang e entrevistas com vários interessados. Analisa sistematicamente a característica da estratégia de sucessão chinesa, a qualificação do sucessor, dentro da formação familiar, a partir de uma perspectiva de múltiplas partes interessadas. Após a análise de contexto sobre o resultado da entrevista e resume a evolução do negócio familiar chinês, propõe que os empresários chineses tenham estratégias especiais de sucessão e fomentem programas baseados na cultura e no contexto social chineses; A empresa familiar chinesa possui alta exigência de consciência e realização para um sucessor adequado; o estresse excessivo e o resultado excessivamente otimista no treinamento de negócios dentro da família e a falta de treinamento externo podem ser uma incerteza oculta da sucessão intrafamiliar e da prosperidade adicional das empresas familiares chinesas. Além disso, apresenta as limitações da pesquisa e a direção futura.

Palavras-chave: Empresas Familiares, Sucessão Intrafamiliar, Visão Baseada em Recursos e Reconhecimento, Treinamento em Empresas Familiares Internas

JEL: M10; D20

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Abstract

The thesis reviews relevant theories on family business and its succession firstly then summarizes the challenge of Chinese family business on the whole. It adopts the qualitative research method of a single-study, Mr. Zhang's family business, and interviews on multi-stakeholder. It systematically analyses the characteristic of Chinese succession strategy, successor's qualification, inside family training from a multi-stakeholders perspective. After the context analysis on interviewing result and summarizes of evolution of Chinese family business, it proposes that Chinese entrepreneurs have particular strategies on succession and foster program based on Chinese culture and social background. Chinese family business has high consciousness and realization requirement for a suitable successor. And over-stress and over-optimistic outcome on inside-family business training and lack of outside training can be a hidden uncertainty of intra-family succession and further prosperity of Chinese family business. Also, it puts forward the research limitations and future direction.

Keywords: Family Business, Intrafamily Succession, Resource and Acknowledge-based View, Inside-family Business Training

JEL: M10; D20

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List of Tables

Table 2-1 Intrafamily Management Succession Cycle

Table 2-2 Multilevel Analysis of Intrafamily Management Succession

Table 2-3 Successors' Requirement Profiles in FOBs

Table 4-1 Historical Review of Chinese Family Business

Table 4-2 Investment of Hebei Yi Chen Industrial Group Co., Ltd

List of Figures

Figure 1-1 The Research Frame

Figure 2-1 Stakeholders Model in FOB

Figure 4-1 Evolution Path of Chinese Family Business

Figure 4-2 Consciousness & Realization Triangle

Figure 4-3 Criteria for A Suitable Successor

Figure 4-4 Asymmetric Foster

List of Acronyms

Family-owned Business (FOB)

Family-owned Business Succession (FOBs)

Intrafamily Succession (IFS)

Chief Executive Officer (CEO)

Resource-based View (RBV)

Knowledge-based view (KBV)

Internal Revenue Service (IRS)

Family Firm Institute (FFI)

Family Business Network International (FBN-I)

International Family Enterprise Research Academy (IFERA)

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Contents

Chapter 1: Introduction

1.1	Research background.....	1
1.2	Research problem.....	2
1.3	Research value and contribution.....	3
1.4	Research structure.....	4

Chapter 2: Relevant Theoretical Literature Review

2.1	General review of relevant literature	
2.1.1	A two-dimensional intra-family management succession model.....	7
2.1.2	Research trends on intrafamily leadership succession.....	16
2.2	Specific topics about the thesis	
2.2.1	Successful succession related FOB performance.....	18
2.2.2	Stakeholders framework of FOBs.....	19
2.2.3	Resource and knowledge-based view on FOBs.....	24
2.2.4	Early training inside family business.....	26
2.2.5	Across-family boundary relationship.....	26
2.3	Significance of our thesis.....	27

Chapter 3: Research Design and Methods

3.1	Empirical research purpose	
3.1.1	Qualitative study.....	31
3.1.2	A single case-study.....	31
3.1.3	Select a real Chinese family firm.....	32
3.2	Qualitative interview approach	
3.2.1	First-hand data: Interview.....	33
3.2.2	Secondary data.....	34
3.3	Research design: processing the data	
3.3.1	Processing the data from interviews	34
3.3.2	Validity and reliability.....	35
3.4	Research design: content analysis.....	36

Chapter 4: Case Analysis

4.1	Research setting	
4.1.1	Historical review of Chinese family business.....	37
4.1.2	Evolution path of Chinese family business.....	39

4.1.3	Yi Chen industrial.....	42
4.2	The development of Mr. Zhang's family business.....	43
4.3	Analysis Succession traits of Yi Chen Group from a multi-stakeholder's perspective	
4.3.1	Successor characteristic.....	46
4.3.2	Succession Strategy.....	47
4.3.3	Asymmetric foster.....	50
4.3.4	Impeccable inside training.....	52
4.3.5	Stand aside stakeholders.....	53
Chapter 5: Discussion and conclusion		
5.1	Discussion.....	55
5.2	Major conclusions.....	60
5.3	Research limitation and further study.....	60
Bibliography.....		63
Appendix 1: Semi-Structure Interview Question for Incumbent.....		70
Appendix 2: Semi-Structured Interview Question for Successor.....		71
Appendix 3: Semi-Structured Interview Question for Family Members.....		72
Appendix 4: Semi-Structured Interview Question for Non-family Stakeholder.....		73

Chapter 1 Introduction

1.1 Research background

Family businesses continue to represent a noteworthy portion of the global economy in recent decades (e.g., Cadieux et al., 2002), for instance, as a considerable employment contributor (e.g., Manderlbaum, 1994). The report of The Credit Suisse Family 1000 in 2018 shows that family-owned firms deliver vigorous revenue growth in all territories with higher levels of profitability, and that profitability has supported a relative strongly share-price appreciation start from 2006. A longer term and conservative focus are vital factors that family-owned businesses outperformed than a non-family company. And the performance of family firms not only relates to proprietary families but also influence the well-being of their employees and surrounding communities (Lansberg, 1988).

Barach and Ganitsky (1995) declared, “without the next generation’s leadership and direct management, the firm cannot survive as a family firm.” That means succession for a family business is an advantage but also a challenge. American family business survey in 1997 shows that a vast majority (more than 90%) U.S family firms wish to continue to control their business in the family hand in the future while approximately 30% of family firms fulfill the transition to the second generation, and only 10% of them handover to the third generation, mentioned by Ward in 1987. This explains the phenomenon of why so many scholars focus on understanding the factors affecting the succession process (Massis et al., 2008).

The cases of family businesses in China is unusual because most of the modern enterprises are established after the country’s economic reform in the 1980s. That explained one of the reasons why the average age of Chinese family business is much younger than that of European countries and Japan of about 82-year-old (The Credit Suisse Family 1000, 2018). Now the first group of Chinese entrepreneurs is going to retire, so it is on a threshold of how to plan and execute the hand-over process to the next generation. Another important reason is that Chinese family business management is still immature, especially in succession issues. Family-owned firms from different ethnicity and culture need to learn useful, practical experience from each other.

Besides, an intrafamily successor has higher ability to inherit tacit or implicit knowledge, precludes the risk of share profitability to extra-family person or group and establishes high-level trust and honesty (Royer et al., 2008). On the other hand, family outsiders can be appointed as executives and regarded as insider-substitutes, which accompanies much higher transition cost to fulfill this role (Hatak and Roessl, 2015). That is why the intrafamily leadership succession not only fits most of the founders' expectation but also benefits survival and achieve long-term development in the global market.

However, even Chinese families pay high attention to the kinship, but the year of 2015 continues to see more and more family firms appointing professional agents as the chief executive officer (CEO) to look after their business instead of next generation in the family (Forbes Chinese family business survey report, 2014). This may lead to lots of problems, including agency cost, conflict of family, the identity of the family, and so on. Successful family internal successions can be ongoing benefits to the society and economy in the long-term as much as them to the involved families (Royer et al., 2008).

1.2 Research problem

According to the general background information about family business in practical and theoretical, our study is spread out based on two assumptions: at first, succession must be secured to ensure the family business further development and an optimal solution to transfer ownership and management power of family business is intra-family succession. And second, the firm is considering the succession or just in the succession process will be preferred.

The resource gathered from individual and individual learning process is one of competitive advantage for a family-owned firm than others (Holt and Kammerlander, 2018). However, the performance seems to decline more often than not in the wake of transition (Anderson & Reeb, 2003). The mature family firms have lots of competitive advantages and dynamic capability comparing young ones, for instance, the confidence of the investment return. The formalization of family business will increase with the succession, which will help to reduce conflict among family members and contribute to family harmony and so on. That is why we should study how to improve the efficiency of intra-family succession.

Our further study is trying to explore how the specific succession characteristics unfold from the different stakeholders' perspective and the nature of the particular phenomenon that potential successors are required to work as an employee in the company. The specific objective is to explore what the requirements for a successor in the Chinese family business are? How to transfer the competency-based knowledge and entrepreneurship? What are the advantages and disadvantages of working in the company earlier for the next generation? And what extent family members, especially incumbent and successor care about non-family stakeholders voice and effect on succession which has not explained yet?

1.3 Research purpose and contribution

The purpose of our research is to improve the efficiency and success rate of intrafamily leadership succession through unfolding the Chinese succession characteristics in FOB from a multilevel stakeholders' perspective. Our article aims to add a contribution to consummating the checklist of factors in Chinese succession and help the Chinese family firm to assess their succession process and identify obstacles in offspring new intrafamily leaders.

China is a multi-national country, and the people have specific and distinctive characters, and their business seems more sensitive to politics. All these factors make the intra-family succession more challenging to explore. And Chinese literature economic research is late and immature. A lack of systematic literature support makes family firms more challenging to go further needless to say there is a massive gap between literature study and family daily practice throughout all the countries. More effort needed to find the characteristics to improve the effectiveness of intra-family succession particular for Chinese family firms.

'Succession' of leadership regards as one of the most considerable challenges for many family businesses. Previous literature research also indicates that much more and further research is demanded on succession among different countries and ethnic groups to assess cultural similarities and differences, and in this process, the family business in each culture can learn from and help the others (Wendy C,1994). If Chinese family business can absorb useful information and experience from other counties which have more literature and practice experience, then combine Chinese special and unique social,

economic and cultural characteristics, it can guide the plenty of Chinese FOB to achieve more positive succession outcome and performance. This dilemma is faced by not only Chinese family firms in the mainland but also by the firm who has branches in foreign countries. As long as the firm has Chinese characteristics, they may have the same confusing. Overall, our study will help Chinese family business realize the internal succession more systematically and exhaustively, and help incumbents and successors aware and utilize the resource and dynamic capability properly to support succession and long-term survival and development of family business.

1.4 Research structure

According to the stakeholders' theory and from the knowledge and resource-based view, the focus of this work is to disclose the opinions of multi-stakeholders in a Chinese family business and analyze combining with Chinese culture and social concept. There are five chapters in this dissertation: the introduction, literature review, methodology, results as well as discussion and conclusions. The research frame of this thesis is given in Figure 1-1.

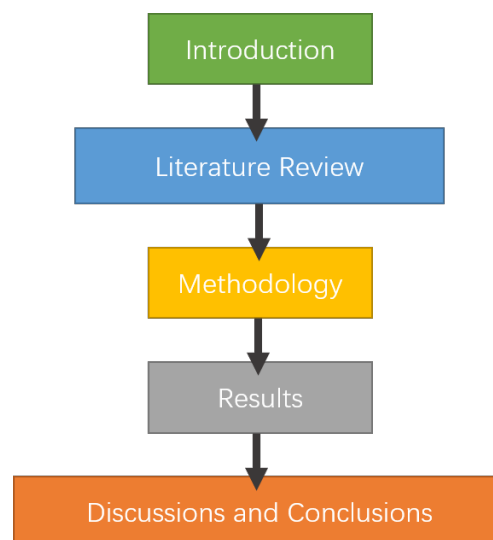


Figure 1-1 The Research Frame

The first chapter gives a brief introduction about the general background, the research problem, research purpose and contribution, the significance of the study and organization of the thesis.

The second chapter presents a general review of relevant literature about intra-family leadership succession, specific topics, the significance of further investigation and critical commentaries on related.

The third chapter is talking about the methodology used in the study which mainly focuses on the purpose of the empirical research, qualitative methods used to collect data, research design on the detail of where, who, when and how, research instruments and validation, methods used to analyze the data, as well as the validity and reliability of the study.

The fourth chapter is about the findings of the study organized on the themes that emerged from the study. It firstly describes the history of the Chinese family business, outlining the shift toward the development of Chinese family business. Then, it elaborates on the evolution of the Yi Chen Group. After that, Yi Chen Group succession characteristics is analyzed from a multi-stakeholder interview.

The final chapter is discussions and conclusions. In this section, the characteristics of intra-family succession in Chinese family business were discussed firstly based on resource and acknowledge-based view. Then two unexpected and exciting results are highlighted linked to the research questions. And some related opinions and found by previous studies were pointed out and comprised in the first two sessions. The conclusion was conducted after the discussion. Finally, the limitation or weakness of our research is stated before recommended some ideas for further study in the family business field.

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Chapter 2: Literature Review

The forthcoming of an intra-family leadership succession stands on deep learning of the past, assemble with and evolve from preceding work. This chapter presents a general review of relevant literature about intra-family leadership succession, specific topics, the significance of further investigation and critical commentaries on related.

2.1 General review of relevant literature

In this section, a general review of previous pieces of literature on intra-family leadership succession is demonstrated from three viewpoints: a two-dimensional intra-family management succession model comprised of transition cycle and multi-level analysis, research trends as well as research methodologies.

2.1.1 A two-dimensional intra-family management succession model

Succession has been paid particular attention among many general topics of interest on family business, and it is the most common research area during the period of 1961–2008 (Benavides-Velasco *et al.*, 2013). Typically, various work and tasks are required to be completed according to the changes from one archetypal form of ownership and leadership to another. And leadership succession is regarded as one of the most severe challenges for majority family-owned firms (Holt and Kammerlander, 2018; Cadieux, 2007; McGivern, 1989).

Without a next generation's executive management directly, a firm cannot exist as a family enterprise any longer, as it let alone maintain its nature (Barach & Ganitsky, 1995). The definition of a family business has not got a compromise, but there is total agreement that a family business must be managed by a nuclear family (Hu, 2016; Bin, 2016). That's why a successful succession of the CEO inside the family is imperative for a family-owned firm. It is clear that the primary intention of investigation and research is to improve the efficiency and effectiveness of intra-family succession issues by looking inside and finding the truth and substantive relations beneath phenomenon. The literature studies on this issue are fragmented even if family business succession has been covered mostly (De Massis *et al.*, 2008). An intuitively integrative approach will be applied to study the intra-family leadership succession based on two common

theoretical frameworks.

Leadership transition cycle axis

An average life tenure of the entrepreneurs in the family business firm is 24 years, (Handler, 1994). The business tends to decline after experiencing initiation, development, growth, and maturity in its lifecycle unless a “successor-organization” is established. The transition cycle requires three to eight years to complete the whole sequence of phases (e.g., Murray, 2003; Cadieux et al., 2002). (The succession phases and main topics in that stage are clarified in Table 2-1)

When a family-owned firm recognizes and wants to transfer leadership, it seemingly predicts the beginning of preparation for succession. One of the critical individual-level determinants of intention is the incumbent’s attitude toward it, which is also influenced by situational and individual antecedents as well as their interactions (De Massis et al., 2016). Furthermore, the incumbent’s readiness to step aside, new interests after retirement will also advance the succession process (Cadieux, 2007). On the fundamental of the former stage, the succession planning will occur with more possibility. McGivern (1989) established a model to analyze succession plans among different types of family-owned firms. The reason why many family firms do not survive after the first generation to some degree is due to a lack of succession plans (Lansberg, 1988). And previous studies indicated that succession is the lengthiest dynamic and strategic process, never too early to make a plan and should be projected beyond five years to pledge efficacy recommended by practitioners (e.g., Mandlbaum, 1994; Barach and Ganitsky, 1995; Kirby & Lee, 1996; Bruce and Picard, 2006). Previous studies also show that for the companies managed by more than the second generation, formal management of succession seems as critical as suggested and handled differently among generations (Brun de Pontet, 2007). However, few respond with a stated succession in the family firm, even more seldom state an official timeline, selection or training and so on incorporate processes in succession plans (e.g., Bruce and Picard, 2006; Hubler, 1999). Benavides-Velasco (2013) mentioned that a lack of a written succession plan is another prevalent obstacle for family business’ fail. Besides the internal stakeholders, McGivern (1989) also advocated the CEO should get together with an outside counselor to discuss and find out the best way to promote an efficient succession.

Selecting a suitable successor is also significant for the outcome of succession, family harmony, and future performance of the family business. Various objective criteria have been identified to assess a potential successor's abilities, such as education background, managerial, technological and financial management skills, and so on. And usually align with the strategic plans of a family business (Brockhaus, 2004). By contrast, the age, sex, and birth order seem to be not much important. Changes of these criteria used to value the suitability of a potential successor should be paid more attention. There is no generic model to promote succession, the contingency, including favorable transaction atmosphere; specific context cannot be ignored in developing the most suitable successor (Royer et al., 2008). Announcing the result of selection or keeping as a secret to simulate engagement among several potential successors is a critical topic. Different behaviors depend on the real situation. Sibling relationship may turn into rivalries in the family firm because of competing the only one leader position during intergenerational succession (Friedman, 1991).

Apart from succession planning, training of the successor also be used as measures of leadership continuity. Succession training is significantly necessary, and plenty of works focusing on the knowledge transfer are conducted in this process (Harvey and Evans, 1994). The readiness of the successor to transmit position as a CEO is necessary and sufficient conditions for successful succession transmit. Interpersonal knowledge is one of the soft imperative skills (Hatak and Roessl, 2015) and factors promoting to transfer this kind of knowledge are identified based on a knowledge based-view (KBV) (Mandelbaum, 1994). Seymour's study in 1993 indicated a positive, significant association between successor training and quality of the intergenerational working relationship, which is one of the essential soft skills for a successful successor.

Besides the above occur in the pre-succession stage in intra-family leadership succession, role-transform and power-transmit in the joint management stage mark the successor's official access into the family business (Harvey and Evans, 1995; McGivern, 1989). Preparing the successor for management and introducing him or her to the firm's network is a task of predecessors as the supervisor (Handler, 1989; Cadieux, 2007). And there is a strong correlation between the successors' levels of control and indicators of succession readiness (Pontet et al., 2007). During this period, the predecessors can play different roles as a teacher, protector, introducer, mobilizer, or

collaborator according to different situation and interaction with successors (e.g., Cadieux, 2007; Cadieux et al., 2002). The predecessor would act as a consultant until next-generation can serve as a chief decision maker (Handler, 1994).

Is it the end of the problem after predecessor's withdrawing from the governance of the firm? The answer is significantly harmful. There are still lots of challenges faced by the new leader, for instance, handling a continuing influence from the predecessor, developing an appropriate leadership style, the relationship suffered as unfavorable comparisons with his father and so on (McGivern, 1989). Post-succession performance will affect all stakeholders. Will the family be tightened closer? Will the company be operated efficiency and profitability? (Brockhaus, 2004) The organizational climate may change, and the additional problem probably occurs due to the changes in leadership. Overall, only post-succession issues (Harvey & Evans, 1995) are also identified and addressed; the family business can produce complete succession success.

Table 2-1 Intrafamily Management Succession Cycle

Stages	Issues	Effect or Relative indicators
Recognition and Intention	Situational antecedents (e.g., number of children, family shareholder, duration of family ownership, and perceived positive firm performance)	Depends on which factor and some may correlate
	Incumbent attitudes toward it (e.g., individual antecedent)	Emotional attachment
	The chief executive recognition the need of new leader in the foreseeable future	Positive
Preparatory Activities and	Communication and share of decisions related to succession process with stakeholders	Depends
Formal Succession Planning	Clear definition of role of the incumbent & potential successor(s)	Positive
	Formalizing rational and objective criteria of suitable successor	Positive
	Designing selection and clearly training process	Positive
	Official timeline and written plan	Positive
	Input and services of various professionals (e.g., accountants, lawyers, managers)	Positive
	Utility educational programming (e.g., seminar, manuals)	Positive
Development of Successor(s)	Objective criteria of suitable successor and disclose with potential successors	Positive
	Evaluating the gaps between needs and potential successor's abilities	Positive
	Competence-based knowledge transfer	Positive
	Transfer potential successor(s) internal and external networking	Positive
	Exposing potential successor(s) to the business early and sufficiently	Positive
	Giving the potential successor(s) sufficient feedback about the succession progress.	Positive
Selection of Successor(s)	Formalizing rational and objective criteria for selection	Positive
	Defining the composition of the teaming charge of the assessment	Positive
Statement of Successor	Favorable transaction atmosphere, certain context	Positive
	Predecessor's role during and after the statement of successor	Depends
	The readiness of successor to take over and predecessor to step aside	Positive
Joint Management	Partnership between incumbent and successor	Depends
	Predecessors perform different role base on situation to train the successor as a leader	Positive
	Mutual role adjustment between predecessor and successor	Positive
	Nonfamily members trust and commitment to the new leader	Positive
Withdrawal Phases	Predecessor adapts the retirement life	Positive
	Predecessor's role as consultant of new leaders	Positive
	Appropriate leadership style, strengthen technical management skill and knowledge	Positive
	Soft issues: caring each internal stakeholder participation and efficient communication	Positive
	Building effective relationship with stakeholders and handling a continuing influence from predecessor	Positive
	Company image and reputation changed to external stakeholders	Challenge
	Organizational climate changes after succession	Challenge

Source: Author

Multi-level stakeholder framework axis

The family business is much more complex; the depth of succession is still hard to measure even split into several stages. Investigations have been conducted from a multiple stakeholders' perspective to explore the beneath of this iceberg (Brockhaus, 2004). A general review on previous literature is demonstrated from four significant levels to analyze factors influencing the sufficient of succession process in the table below (Table 2-2) (Tagiuri & Davis, 1996; Chua et al., 2003). In each level, a general review of the prevailing literature will be illustrated to highlight the factors received attention. These factors can have direct influence, can also through interrelationships with others to develop combined effect encompassing overlapping, causal, synergistic, and substitutional on succession.

Firstly, the individual level is formulated by recognizing the main topic of founders/incumbent/predecessor as a dominant character in succession area. The attitudes (De Massis et al., 2016) and personality of predecessors have a profound impact on the culture, structure, and strategy. Incumbents' gender (Nelson and Constantinidis, 2017; Cadieux et al., 2002; Harveston et al., 1997) as a factor of personality has been largely neglected until 1997. What's more, the successor-related factors can also influence inside-family management succession. The propensity of a trusted successor (Chua et al., 2003) is a significant element in the incidence of all activities relating to succession planning. The attributes of successors are associated with the effectiveness of succession, for instance, self-confidence, managerial autonomy (Goldberg & Wooldridge, 1993). The successor's satisfaction during the succession process and willingness to take over and the relationship with the incumbent have influenced the successors' engagement of work and continued profitability after handover (Sharma et al., 2001; Venter et al., 2005). It is a challenge for the potential successor to acquire the incumbent's crucial knowledge, management, and interpersonal skills (Cabrera-Suárez et al., 2001). Gender is another important issue related to intrafamily leadership succession. The daughters face many challenges in taking over the leadership in the family business (Vera & Dean, 2005). Currently, a socially constructed view of gender shifts has been seen (Nelson & Constantinidis, 2017). Successors also need the entrepreneurial opportunities perception with new ideas facilitated on the fundamental family-specific capital built within the family firm

and general human capital in education and work outside the business (Sardeshmukh & Corbett, 2011). The success of individually handing over is related to the incumbents' adaptive progress and successors' levels of control of the family business (Brun de Pontet et al., 2007).

Secondly, at the group level, critical factors of succession can allow family members to exercise continued influence in this organizational process, because of the kinship responsibility (Tagiuri & Davis, 1996). Family members can manipulate the succession- planning process through their close relationship to the owner and involvement in the firm (Dasgupta et al., 2016). The interaction between incumbent and successor is an influential factor of inside family succession (Seymour, 1993). And a relationship with respect and trust can smooth succession process by stabilizing business operations, promoting innovation, and improve efficiency (Kammerlander and Holt, 2018). A different gender combination of the CEO and successor can foster a mixed relationship (Dumas, 1990; Cadieux et al., 2002).

What's more, the family performs an essential part in instructing the initial planning of the succession process (Hubler, 1999). Family harmony is defined as mutual relationships among family members, the characters of which are closeness, support and taking care of, understanding and perception of each other, and worry for each other's welfare. Family logic guides individuals to behave obeying family values, share a common family vision, and satisfy family members' needs firstly in the firm organization (Rizza & Ruggeri, 2018). The conflicting interest (Meier & Schier, 2016) behind each family members highly influence the succession process. If a family wants to sustain management in succession, they need to overcome the unique rivalry's harmful effects on siblings' behaviors including competing for parental love and attention (Friedman, 1991; Harvey & Evans, 1994; Ibrahim & Lam, 2001). This conflict among the next generations during successor selection will be detrimental upon a family's harmony and increase conflict cost of a family firm. In that period, rough family justice, capable and direct communication, emotional caring, forgiveness and so on, may be effective solutions for preserving the relationship in the family (Ayres, 1990; Hubler, 1999). The family adaptability and family cohesion depend on the family's commitment to the business and quality of the relationship between owner-manager and successor, but the family relationships on administrative behavior are mediated by

various factors (Lansberg & Astrachan, 1994). All these group level indicators should be measured and analyzed considering generational difference (Brun de Pontet, 2007).

Thirdly, the organizational level is articulated by acknowledging that the organization plays specific attributes to its processes. Apart from the transfer the position and power, the succession also means the revolutionary and evolutionary transitions of the whole family enterprise system as a dynamic entity (Murray, 2003) in which the structural clarity and management style are two keys influence of organizational members behavior highlighted after a succession (McGivern, 1989). Transferring, creating, and managing sizeable intangible asset are the most significant activities in the family firms' long-term continuity goal (Steie, 2001).

Last but not the least, the environment, resource or society of business might directly influence the leadership hand over process or indirectly through effects on organizational climate and firm's stage of development (McGivern, 1989). The ability to incorporate new ideas and maintain flexibility is essential to survive in the ever-changing market (Perricone et al., 2001). Financial issues like the tax impact of transfers of certain interests, transfers in trust also influence the Internal Revenue Service (IRS) when implicating business succession (Kuratko et al., 1994).

Overall, the majority of literature focus on individual or family/group level, win only scant interest in the organizational and societal level of family business succession. At the individual level, most attention has been paid family members as incumbent and successor. The voice and effort of non-family employees, as well as organizational and societal influence, are just beginning to gain attention.

Table 2-2 Multilevel Analysis of Intrafamily Management Succession

Promote Factors	Succession	Resistant Factors
Individual Level		
Good health	→	← Death or illness
Other interest and able to dissociate from the firm	→	← Incumbent's strong attachment or another venture
Pursuit of technical advice and consultation	→	← Avoidance of technical advice and consultation
Propensity and Motivation to take over	→	← Other interest and career plan
Adequate hard and soft skills	→	← Lack of efficient hard and soft skills
Satisfaction from succession process	→	← Dissatisfaction from succession process
The successor's level of control	→	← Contingency issues (unforeseen remarriage, divorce, or birth of new children)
Interpersonal/ Group Level		
A respectful, trust-based intergenerational relationship	→	← Conflicts/rivalries/competition
Honest, informed communication	→	← Lack of open communication
Trusting and Commitment to the potential successor(s)	→	← Minimal trust
Share power	→	← Power imbalance
Family dynamics are separated from business issues	→	← Family conflicts or issues permeate the business
One child as potential heir	→	← Nuclear and extended family members as potential heirs
Organizational Level		
Organizational structure promotes functional delegation	→	← Maintenance of structures promoting unilateral control
Culture reinforces organizational continuity	→	← Culture threatens organizational development
Stable organizational growth and profitability	→	← Impending organizational crisis
Easily established relationship with key customers & suppliers	→	← Loss of key customers or suppliers
Sufficient financial resources	→	← Inadequate financial resources
Stakeholders' trust, confident and commitment to the potential successor(s)	→	← Nonacceptance of the potential successor(s)
Environmental/societal Level		
Stable environment	→	← Problematic or deteriorating environment
Market leader	→	← New market requirements
Minimal professional prerequisites	→	← Specialized professional prerequisites

Source: Author

2.1.2 Research trends on intrafamily leadership succession

Until 1994, five highlighted streams of research in succession realm encompass succession process, the role of the entrepreneur (Cadieux et al., 2002), the perspective of next generation, multiple levels of analysis as well as characteristics of effective successions (Handler, 1994). On the foundation of two axes above were the dominant topics in 20 centuries located. In the recent 18 years, the researcher topic and perspective expand much broader, and analysis is more profound than before. The current and near future of literature research is developed in the following four trends.

A first trend is a systematic approach. According to adequately academic accumulation on intrafamily management succession, systematic attention has been given as long as explore new perspective to research. The systematic methods applied to establish factors that avert intrafamily succession from the beginning (De Massis *et al.*, 2008). Similarly, Handler & Kram (1998) proposes a systematic model to highlight multiple contributing factors that resistance to succession in family-related firms.

The second trend is further international study. In the globalized world, efficient succession in international situations is a popular topic but also a new challenge to all stakeholders. The increasing researches on succession are planned for or handled in different countries or by various ethnic groups. Through that, each culture can learn from the other by assessing cultural similarities and differences (Handler, 1994). Currently, Japanese family businesses are more longevous than most of the family-owned firms in the world (The Credit Suisse Family 1000 in 2018), comparative studies and quantitative studies indicated that the long-term life span of them benefit from their family culture (Chau, 1991), long-term orientation and the clear preference for internal successors or at least quasi-family members (Royer, 2008).

The third trend is a variety of perspective and theory. Intrafamily leadership succession likes an iceberg, even plenty of researchers engaged in the field; it seems there is always something to attract us to find out. Similar to appreciating a high-quality construction, diverse kinds of beauty can be enjoyed from a different side. Various perspectives perform well to help current researches evaluate and depth the field, such as dynamic perspectives (Neubauer, 2003; Yan & Sorenson, 2006) and Resource-and Knowledge-Based View (Kammerlander & Holt, 2018; Cabrera-Suárez et al., 2011) strategic

management perspective. Daspit's work reviews the relevant stakeholders' exchange in each phase of the management succession process. Succession is not only an essential topic to incumbents but also a tremendous substantive layout for young generations' future career. Early in 1992, Handler had already exhibited the specific factors critical to succession from the next generations' experience in the succession process. From a successor perspective, it is more vivid and direct to understand their voice and opinions on the impact on and individual attributes and entrepreneurial paths of next generations in the family (Rizza & Ruggeri, 2018). A cognitive categorization perspective has been used as a foundation to understand the mutual evaluation between successor and incumbent in the succession process. Game theory has been used in exploring the impact of interpersonal communication between a founder and a successor on family harmony, effects of sibling competition (Michael-Tsabari and Weiss, 2015; Jayantilal et al., 2016) as well as understanding the decisions and outcomes of succession events (Blumentritt et al., 2013).

The final trend is expanding to social context. The examination of social context contributes a more profound understanding of decisions and actions in family firms, especially interpersonal relationship (Yan & Sorenson, 2006). Culture effect, social and economic changes (Perricone et al., 2001) challenge the succession of family firms. The vital ability to acquire skills with the utilization of social capital enables the family firm to identify new market niches (Hu, 2016; Bin, 2016).

Consultants exposed to family business issues every day are the beginning writers on the topic of intergeneration leadership transition. Frequently, financial advisors or therapists also contribute to the development of research on the field. But the expertise research in the realm of the family business was still held mainly by a close-knit, somewhat limited academy of scholars. However, in the recent decade, abounding family business centers gradually prevail at academic institutions all over the world (Maloni et al., 2017), such as the Family Firm Institute (FFI), Family Business Network International (FBN-I), International Family Enterprise Research Academy (IFERA) and so on (Heck et al. 2008). More academics and doctoral scholars are stimulated spiritually by this breakthrough to engage in this realm. What's more, the family business scholars engage in expanding this field, look out new investigation routes and streams as well as broaden the authorship. Hopefully, the near future will see more and

more family business centers and editors cooperate with interested scholars in other related fields to provide academic and practitioners with more reference (Maloni et al., 2017).

Literature researches on FOB were dominated by descriptive and case studies with small sample sizes, needless to say, the studies on succession which were simply addressed through case studies and small qualitative samples (Benavides-Velasco et al., 2013; Heck et al. 2008). The empirical studies have been characterized by a prevalence of interviewing entrepreneurs and successors through recording their answers. Further succession research needs a broader, multidisciplinary view and more high-quality data sources (Benavides-Velasco et al., 2013).

To sum up, although recent investigations perform better no matter in case analysis or well-designed empirical studies with a mutual model, higher-quality data, and more comprehensive view. Current researches still suffer from a lack of comparative studies and longitudinal studies for lots of reasons (Kirby and Lee, 1996). What's more, in some categories like external stakeholders' impact on succession stop over hypothesis and proposition, explicit and implicit theory and empirical test are desired.

2.2 Specific topics about the thesis

In this section, specific literature outcomes related to our thesis are demonstrated including successful succession related FOB performance, stakeholders' framework, resource, and knowledge-based view, successor's early training as well as a social relationship.

2.2.1 Successful succession related FOB performance

The influence about succession may come from five directions, including the business environment, the organizational climate, the firm's stages of development, family influence, and owner-manager motivation (McGivern, 1989). The outcome of succession can also impact the following four categories. A group of authors tries to use business performance, including financial and growth of the business to measure the outcome succession successful or not (Venter et al., 2005). From a macro-perspective, nearly all economics, investors and entrepreneurs want to find out family business

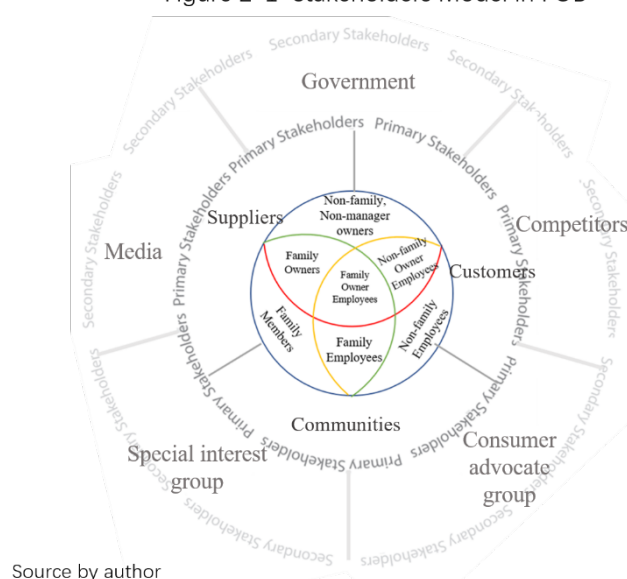
succession's impact on financial performance. Molly et al., (2010) indicates that the first intrafamily succession imposes a negative influence on the debt rate, whereas the relation of following several times is reversed. What's more, the growth rate decreases after the first transmit, but no significant effect on the following. And no evidence find that succession affect the profitability of a family business.

The efficiency of intrafamily leadership succession in the family enterprise is not only measured by the criterion of financial performance. As two main groups in the FOB are family and business, besides the family harmony, the organizational effectiveness and sustainable staying in the society are two measurements of the outcome of intrafamily leadership succession. The purpose of applying stakeholder theory coincides with increasing the efficiency of succession, which is to improve the sustainability of a family firm in society.

2.2.2 Stakeholders framework of FOBs

Stakeholder theory has significant implication in family business previously but the definition of stakeholder to fit all possible situation is also fail, Similarly with that of a family business. The most common and general definition describes stakeholders as individuals and groups can alter or be altered value-added and trade process (Hörisch et al., 2014; Freeman et al., 2010). Edward Freeman's firm centered model, perfectly showing the multi-stakeholders' links to the firm. Similarly, a family business system should also be put in the center when analyzing the multi-level connections of a family-owned business. Nonetheless, the content inside the family business system is much more complicated than non-family firms. Because of that, Gersick and his colleagues in 1999 illustrated three circles model of the family business system comprising three overlapping subsystems: ownership, business, and family. But now both these two models are not enough to demonstrate the stakeholders' relationship in broader circumstance and analyze FOB issues exhaustively, because the former not consider the special components of FOB while the latter overlooks the impact of social content. The graph below with the family business system in the center is a more suitable tool for understanding the dynamics situation any family company locating at a particular time (Figure 2-1).

Figure 2-1 Stakeholders Model in FOB



As a unique stakeholder of FOB, Family's effect of individual and group level on the succession process has been soundly explored. Besides that, based on the coupling of family and business, the family can influence the business and be influenced. Those family influencing decision premises are called "familiness" which is valuable, rare, imperfectly imitable, and non-substitutable family firm-specific resources (Frank et al., 2017; Habbershon and Williams, 1999). From the knowledge and resource-based view, the commitment and dedication of family members and employees, the culture, the values, the reputation, and the stability are competitive advantages shared by family firms (Kammerlander and Holt, 2018).

Outsider family parties or non-family stakeholders are also important groups with an essential addition to the growth and succession of the family enterprise (Chua et al., 2003; Zellweger & Nason, 2008; Barach and Ganitsky, 1995). Emphasizing issues between family and non-family stakeholders and cultivate a healthy relationship might help the family business avoid such decisions which may cause stakeholders to sabotage the partnership (Farrington et al., 2010) and conflicts on spelling disaster for the business. And a sustainable and stable relationship with stakeholders is a competitive advantage of FOB accumulating from intergenerational succession (Brockhaus, 2004). How to strengthen appropriate and sustainable benefit of stakeholders; how to create mutual and sustainable interests based on that; how to engage stakeholders to connect sustainable development and nature are three challenges

to sustain the relationship of stakeholders (Hörisch et al., 2014; Brockaus, 2004). Those challenges could be settled by catering stakeholders with education and sustainability-based value creation and supervision of regulation. Both intra-family leadership succession and stakeholders' satisfaction (Zellweger & Nason, 2008) and relations have a positive effect on the sustainable development and organizational effectiveness of family-owned business. As the relationship of a firm's performance not always liner and separate, they may interrelate such as overlapping, causal, synergistic, and substitutional.

One of the largest groups of power inside a company is employees and other supervised workers who care about compensation, job security, worker health and safety, respect, work-life balance, training and development, career progression and so on. Employees realize the difference in the culture of an enterprise, their career lives, and vocation owing to changes in executive control. In those stakeholders' perspective, they have to accept a changing environment when new leadership and management are different from the founder generation's (Savolainen and Kansikas, 2013). They said they were put on bystanders of succession which affect their work and their attitudes. Involvement of planning process can promote the non-family employees to meet the expectation of the enterprise and tighten the tie between the development of the family firm and employees' future career (Chua et al., 2003). Besides, the successor's relationship with loyalty employees seems to weaker than that of founder and more likely leading to resignation because of a lack of trust and commitment to the potential successor (Gaumer & Shaffer, 2018; De Massis *et al.*, 2008). That can be a reason to prevent succession occurring. The loss of valued employees interprets a 20 percent drop of customers satisfaction, as 70% leaving of customers because of the inadequate customer service and poor treatment by employees. Employees commitment and well-being influences on productivity may at risk when the succession occurs. Savolainen and Kansikas's multiple case studies (2013) on small FOB indicates that non-family employees possess robust psychological ownership towards the family business when they participate in the business succession. This increasing psychological ownership in management succession can influence non-family employees on commitment and wellbeing, which will further impact their engagement of daily work and productivity. Creating a shared vision of critical objectives and succession in a family business can prevent potential conflicts from misunderstandings on nonfamily managers (De Massis

et al., 2008).

It is advocated among family business to consult with outsider professionals encompassing economics, psychologists as well as therapists and so on. Outsiders/non-family experts in governance and management structures can improve the quality of discussions about strategy, bring sound professional norms and values, add new considerations to perfect the decision making and connect the family to the society for long-term survival (Rizza & Ruggeri, 2018). Good applications are in accounting and institutional logics. Similarly, effectively using outsider professionals may also increase the efficiency of succession decision and behavior, as well as decrease or prevent potential conflict and cost emerging during the leadership transition to maximizing the interest of family firms. A personal counselor may also perform an important role of predecessor's step aside in joint management and withdrawal process (McGivern, 1989; Cadieux, 2007).

The trust and satisfaction are two main factors in relationship quality, which is the key in the field of supply related by the selling behavior (Rose, 2018). Although no one could exist in the society separately, previous work has yet to indicate the effect of existing supply management on the family business until the review of Michael in 2015, yet, it is just on propositions. Even already know the needs of the family enterprise as end customers are unique, different approaches applied in the literature are either keeping family business as a control variable to analyze supplier organization or studying the supply relationship variables like commitment and trust in the degree of "familiness" (Maloni et al., 2017). What's more, customers pay more attention to the value and quality of products or service, security of information, responsiveness of requirement, and so on. Family ownership of business plays a role in the creation of positive customer service interactions. Customers or suppliers accustom to interacting with the entrepreneur under trust over time, which will be difficult for a potential successor to imitate. The more critical of the customers or suppliers to the survival of a family business, the more threatening once succession occurs without a stable relationship with this group of stakeholders (De Massis *et al.*, 2008).

Shareholders or investors care about their interest depending on the profitability and future development of family business. In a family enterprise, the public investors form a unique role and the positive image of the firm to present to the customers, and the

marketers have appreciated it. The impact of non-family shareholders varies hugely in the first-generation family business. Most of the founders in the FOB do not gladly share control and prefer minority loyal and silent shareholders (Gersick et al., 1997). Exchange-listed corporations usually separate ownership and control. In Nelson and Constantinidis's research in 2017, family firms outperform than other types of block holders after distinguishing the family effect with general block holders' effects. However, this better performance only exists when the founding-family is still active either on the executive or the supervisory board. And other block holders either affect firm performance adversely. Owner-manager agency problem seems to successfully mitigate by families as large block-holders in the founder-led companies (Barontini and Caprio, 2006). There are also potential costs, especially when the interests of the family do not align with those of other shareholders. The founder prefers to transmit the managerial power to descendants, whereas expertise is only partly inherited. Next-generation gradually regresses towards average talent and reduces firm performance, as well as hardly captures control over the firm. This leads to the performance of FOB worse with generation. That is one reason why current researches try to spring the successors' entrepreneurial spirit to keep the vitality to comprise the shareholders lasting interest.

Family firms' institutional contexts and their relationship are critical to their legitimacy and sustainability (Reay et al., 2015). Institutional logic demonstrates how broader belief systems shape the cognition and behavior of actors in the FOB by institutional order encompassing the market, the community, the religions, the community, the professions, the corporation as well as the family. What's more, sometimes, two or more logic can come together to spring a new hybrid logic (Reay et al., 2015).

Overall, many studies examine the non-family stakeholders on the development of a potential successor, and the result is positive. Likewise, there is much to be gained by excavating the knowledge and resource exchanges between key nonfamily stakeholders and how these factors influence successor development (Daspit et al., 2016; Nelson & Constantinidis, 2017; Steier, 2001). Only when all stakeholders voice and thoughts be heard and recognized, the successor and incumbent can become aware of how to utilize the social resource and dynamic capability to fulfill effort properly to promote succession (Royer et al., 2008).

2.2.3 Resource and knowledge-based view on FOB succession

According to the knowledge-based view, as the most strategically significant intangible resource of a firm, knowledge is usually socially complex and difficult to imitate (Alavi & Leidner, 2001). The resource and knowledge-based view ideally recognize those bundle of strategic family firm-specific resources thoughtfully orchestrated can not only allow family businesses to outcompete others but also can be exploited to help successor to achieve a sustainable competitive advantage (Kammerlander and Holt, 2018). The assets, capabilities and competencies and the stability have potential to improve succession process's efficiency and effectiveness as well as deliver superior competitive advantage for a firm's sustainable development (Kammerlander and Holt, 2018).

One part of competency-based knowledge can be inherited from the intrafamily business and affected by the relationship with incumbents, and the other develops and renews with the everchanging environment in successor education, personal networking and so on (Hatak and Roessl, 2015). Identificating and transmitting relevant knowledge to the next company leader is a precondition of absorbing and combining new resource. However, the information might be asymmetrical, and transactions are cost when transferring valuable knowledge and capital to a successor (Royer et al., 2008). Among knowledge and skills, job-related technical skills, experiential knowledge is necessary but not sufficient for suitable successor candidates who need to possess a comprehensive range of soft skills to supplement to hard skills to be considered qualified to enter management positions (Schlepphorst & Moog, 2014). Soft skills pertain to personality, social capital, and motivation, and are at least as valuable as hard skills. For instance, the successor's motivation, communication traits, ability to cooperate, handle conflicts, communication, and persuasive power (Hatak and Roessl, 2015), social capital, and self-confidence. The chart below Table 2-3 shows the successors' requirement profiles based on resource and knowledge-based view in the family business succession process.

Table 2-3

Successors' Requirement Profiles in FOBs

Human capital	Personality traits
Intelligence	Personal (e.g. proactive personality),
Learning willingness and ability	High quality of interpersonal competence
General training on relevant management skills	Situational
Experiential knowledge of the family business	Social capital
Proof of competence	Interacting with stakeholders
Occupational experience on industry-specific general management	Human resource management
Education and technical knowledge	Motivation/commitment
Innovation	Intention on family firm's continuity
	Fulfillment of interests
Leadership	Successor's individualization
Relational dimensions (work experience)	Willingness to apply internal support
Emotional dimensions	Economic expectations
Predecessor-successor	Avoidance of changes in firm
Healthy relationship between predecessor and successor	Willingness to take charge
Proper interaction and communication	Agreements within the family
Similarities between predecessor and successor	Willingness to apply external support
Ability to acquire predecessor's skill and knowledge	Verification of whether succession is rewarding

Source: Author

2.2.4 Early training inside family business

Training is worthless unless there is proof that it works. A lot of articles mentioned the need for inside company training to produce a suitable successor (e.g., Cadieux, 2007). Plenty of family business will encourage the next generational family members to work in the company as a part-time employee. The literature studies also mentioned that this approach is necessary no matter in helping the young generations to find their interest in the future career or accumulating the knowledge to take over the business. Early and sufficiently exposing young generation to the family business is needed to help to establish relationships with non-family stakeholders like critical customers, suppliers, and lenders as long as build credibility in the firm and verify their identification of the company, accept the value and culture and intricacies of family business as well as increase their skills and abilities. (De Massis *et al.*, 2008). It is declared that childhood experiences in the company have a direct impact on potential successors' attitudes toward participating in the family business, so if this period experience has not been managed properly, the beginning working experience from the bottom of the firm as a regular worker may cause an adverse effect violating the initial wills of predecessor (Jonovic, 1982). Griffith et al., (2006) also said that it might have a lasting impression influencing both sides of parties when non-family employees saw potential successor's working mistakes as their growing. Employees may doubt the ability and lose the confidence of following the steps of a new leader because of the past performance. Relatively, this kind of unpleasant experience is like a scar on the heart of successor to be seen as lacking proper skills, and it may negatively influence the confidence and willingness to inherit the management of the business which has been tested empirically by previous researchers as mainly intuitively obvious attributes of suitable successors. By contrast, the pleasant experience of being introduced to or working inside a family company from a young age is typical for competent successors. That is why managing the young generations' early in company experience takes on much greater significance.

2.2.5 Across-family boundary relationship

What's more, in addition to the relationship with family members, that with co-workers is also very important. With a positive relationship, the young generation is more willing to engage in the FOB and intend to stay and then enter the next stage instead of considering other options. In contrast, without acceptance of long-term employees to

the successor (Aronoff & Ward, 1992; Barach and Ganitsky, 1995) the successors often suffer from self-doubt, guilt associating with the inheritance, a lack of credibility as well as being viewed as not earning the job. It is a valuable decision to keep nonfamily manager empowerment and involvement in the succession process is valuable (Brun de Pontet et al., 2007; Cabrera-Suárez, 2005). Tagiuri & Davis (1996) reported that family-owned firms display strong community relations and embed in the societal context. They also perform more affluent social capital because of their transgenerational character and relatively patient capital. That stimulates these firms to devote the ample time to establish and tighten the important relationships, establishing more close-knit relations with supporting organizations like banks (Sirmon and Hitt, 2003). That is the reason why family enterprise inclines to satisfy multiple stakeholders.

In Schlepphorst and Moog's investigation on FOB incumbents' expectation of successor, they also mention that the successor could receive stakeholders' recognition, respect, and trust. However, the generalized relationship across the family boundary seems more difficult to establish than inside the family (Daspit et al., 2016). Royer's work in 2008 suggested that the successor could benefit from solidifying the support of external stakeholders during and after the transition. Different from the founder whose relationship earned accompanying the born and growing of the company, the situation is more adverse for the successor to facilitate reliable and stable human capital inside the company or relations associated family business. Those as a broad band of intangible assets are much more difficult to inherit than tangible assets.

2.3 Significance of our thesis

In this part, we will illustrate how previous studies suggest our topic is important to do.

Nobody can successfully address problems in a family business, looking only at business, family, or shareholder (Gersick, 1997), it also needs to account the influencing factors based on the whole content. Once we studied at a family-firm level, and now deeper excavations are required. The impact of complicatedness of the business and external aspects are not addressed in the succession procedure currently (Benavides-Velasco, 2013). It does demand to examine the underlying systems relative to the family-owned business. The business system and their overlapping or interaction and even more fully are needed, besides the family system. What's more, business sampling

has been used instead of a household sampling currently to analyze the family business.

Benavides-Velasco (2013) reviewed that 'Professionalization' related to the succession-planning process is an understudied topic that can promote a transition to a more formal one to guarantee the sustainable growth of a family business. It is true that in this process, the involvement of nonfamily experts like external consultants in the FOB enhances the diversity of knowledge resources beneficial to succession planning, yet can provoke painful and emotionally destructive issues. However, limited resource illustrates the mechanisms employed by the family firm to extract the full value of nonfamily member knowledge resources and expose the family firm to opportunism. And there are no primary researches shows the exchange across family boundaries in nurturing the successor and hand off the leadership (Daspit et al., 2016), even those fact has been accepted generally that knowledge resources gained from outside-family stakeholders are useful to the incoming successor training and development as well as healthy relationships among them ease the transition of power.

Griffeth declared in 2006 that the positive or negative experiences from working in the FOB since childhood have the same effect on motivation to participate in the family business, which will influence the willingness to take over the business after incumbent retirement. For example, having fun in early work experiences seems to have a positive effect. But how to avoid the negative impact and establish a pleasant experience in FF to cultivate essential attributes to be a suitable successor is not clear. And what kind of support and effort should be paid from multilevel stakeholders like the incumbent, successor, non-family employees, and so on?

The study indicates that the jack-of-all-trades approach including a wide range of soft and hard skills in the entrepreneurship study has yet to be applied in the field of succession issues in the family business (Griffeth et al., 2006). Many predecessors expect precisely in the investigation of the attributes of a suitable successor that the young generation need to gain stakeholders' respect, acceptance, confidence, and trust (Brun de Pontet, 2007; Bruce and Picard, 2006). Even particular valued the interpersonal traits like empathic skills and networking. But the next generations, family members seem to not realize about that, and the influence of them was neglected (Hatak and Roessl, 2015). The young leaves in the dark with the requirement of the incumbent (Schlepphorst and Moog, 2014), no matter than that attributes across the

family boundary. It is a pity, interpersonal traits, a necessity of applying for external support, social capital refer to human resource management alike are highly regard and demand rigorousness but addressed less in the family business relating leadership succession.

The successor satisfaction on the succession has been tested with a significant relationship with the outcome of succession (Zellweger, 2008). The strong social relationship is a unique competitive advantage of FOB through intergenerational succession, so how to maintain the relationship when changing the leader and expend the social capital by using the interpersonal relationship from successor as a fresh and energetic component. Reay's study in 2015 shows that the how the relationships between family firms and their institutional contexts influence the firms' behavior is little know, and their impact on succession to family firm legitimacy and sustainability are worthy of exploring.

This study, therefore, will unfold the intrafamily leadership succession from multi-stakeholders perspective, illustrating their voice toward it. And what extent family members, especially the predecessor and successor care about outside family stakeholder's effort. Besides that, how the incumbent transfers that competency-based knowledge and social capital to the next generation. How to maximize the positive effect of across-family broader relationship and avoid being taken advantages?

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Chapter 3 Methodology

To explore these questions, a set of empirical approaches needs to be well-designed, in which each component works together harmoniously to guarantee an efficient and successful function.

3.1 Empirical Research Method

3.1.1 Qualitative study

The empirical study is a kind of research using empirical evidence. Two main methods to analyze the evidence are quantitative and qualitative analysis. Quantitative studies are used to develop and employ mathematical models, theories, and hypotheses related to a phenomenon. And qualitative studies are widely used in several fields for researching why and how.

In our investigation, we conducted a qualitative study because it is more suitable to fulfill our research purpose to explore how the succession process unfolds and probe the roles of multi-stakeholders in that period. An inductive mission was pursued in our research to extract meanings to build an understanding of intrafamily leadership succession from multilevel stakeholders' perspective and their characteristics in resource and knowledge transfer, as well as relationship building which affects succession successful and efficiency.

3.1.2 A single case-study

There are lots of research methodologies in social science with their pros and cons, respectively. The case study is a joint research strategy in qualitative studies and viewed as a robust methodology that ideally generates managerial relevant knowledge and used in a rigorous, creative and wide-ranging variety field (De Massis and Kotlar, 2014; Bin, 2016). And the area of family business encompasses multiple theoretical approaches, various level of analysis, and comprehensive stakeholders (Yin, 2003). A case study approach could be suitable in an in-deep analysis of a particular family firm with the willingness to contribute theory building on the succession of a family business. What's more, in the case study, multiple sources of data can be used to enrich and triangulate

findings.

In our study, a single exploratory case approach is preferable for several reasons: our research focus on contemporary phenomenon succession process of a real-life context in depth in China, which is a real single organization. Besides that, the boundaries between succession and Chinese context are not clear, and there are many levels of stakeholders of interest demonstrated before. Our purpose is to dig out more information of succession process in Chinese context by “How” and “Why” questions and collect multiple sources of evidence with triangulating data to reduce the risk of bias and correctness in case studies, so a single case study approach is given priority in our research.

As noted above, qualitative case study approaches are favored. And in our research, in spite of the commitment to exploration purposes, the means to explore processes were also elaborated.

Besides that, qualitative interview approach also helped researchers to cover questions regarding target groups past events, current issues, and future ambitions. What’s more, qualitative research approaches are also suitable to report people experience, interpret life and work experience with the collection and analysis of verbal accounts, narratives, and linguistic terms. The possibility of the inquirer to build a holistic perspective of the succession under study is a crucial strength of qualitative research (Denise, Alfredo & Mattias, 2016). The most important thing is that using rigorous qualitative research methods can enhance the quality of measurements (Sofaer, 2002).

3.1.3 Selection a real Chinese family firm

To maximize the generalizability of the findings, the sample identification and profile of target respondents, as well as the situation of participants taking the interview, will be depicted and controlled strictly.

Consistently with Handler’s (1989) definitional criteria of a family business from three dimensions: ownership-management, family involvement, and next generation in line for generational transfer. The specific criteria used to classify our target firm are as follows: More than 50 percent of the business was owned by the family for private firms, or more than 30 percent of the stocks was controlled by a family in published firms

(Joseph & Thomas, 1994). These items commit nuclear family controls property rights. Besides that, the business operations and strategic direction should also be controlled by the owner. Atomic family members and extended family members are needed in family involvement terms and next generations from the nuclear family should be in line for generational transfer.

What's more, the suitable investigated firm should also meet our two underlying assumptions: succession must be secured to ensure the family business further development, and intra-family succession is the optimal ownership and management transfer solution. The firm is considering the succession or just in the succession process will be preferred.

The physical requirement of our study includes that the size of the business should be in the market for more than ten years; the size should be in medium or large level with more than 100 full-time and part-time employees; one million dollars annual gross revenue; at least two generations in the family business.

Overall, the selection of a live-case is imperative that this case should be particularly suitable to illustrate a succession process in the Chinese culture and politic environment, and for extending the relationship and logistic between different interest-stakeholders (De Massis and Kotlar, 2014).

3.2 Research Design: data collection

Many choices can be used to collect data in qualitative research ranging from interviews, observations, focus groups, documentation analysis. Among these methods, the interview is the most common way for qualitative data collection, which includes three categories structure, semi-structured, and unstructured interviews.

3.2.1 First-hand data: Interviews

The interview is one of the most important sources to gather information for case studies. In our research, the interviews are considered priority during which participates can speak freely and give more detail on the topic.

In our research, semi-structured interviews are going to be used because this general

guide approach can ensure the broad field of information being collected and still allows a degree of freedom and adaptability (Brinkmann, 2014). In our semi-structured interviews, the ability to follow-up, respondents' involvement and clarification can be permitted by beforehand mailed interview guiding. And at the same time, the interviewer can probe by asking the following questions or change the items according to the information provided by the interviewees. This method can help us to collect data efficiently and search deep understanding of family business succession.

First-hand data will be collected through in-depth semi-structured interviews. The questions should be simple, clearly defined, and answerable. And our meeting will ask some facts first before asking the controversial questions. Fact-based questions will be interspersed throughout the interview. Semi-structured questions were designed on the foundation of literature studies in family business succession. Table 3, 4, 5 & 6 demonstrate questions for the incumbent, successor, family members, and non-family stakeholders, respectively.

3.2.2 Secondary data

Besides the multiple direct interviews (the interviews with each target respondent individually), secondary source data was being collected through bystanders in the community, websites, historical books of the firm, annual reports, print material, and news clipping.

3.3 Research design: Processing the data

The data should be organized and interpreted after the data collection process by filtering, coding, categorization, and selection.

3.3.1 Processing the Data from Interviews

Our interview is a kind of online interview through a kind of Chinese app named WeChat. In a situation that the participants are from China far from Lisbon and almost every Chinese worker are available to use this app to contact with others, so it is a suitable choice for our study to collect the data through it. The target firm was kept in touch through the authors networking, and the target interviewees of non-family stakeholders were introduced by the successor or incumbent of that firm. The interviews

were produced separately with the individual and the time of the interview was based on the appointment with target interviewees. The target people can choose any his or her comfortable environment and official time. The average interview with incumbent or successor was around 40 minutes and 1 hour. The average duration of each nonfamily interview was about 30 minutes.

Data was collected by a structural mobile phone interview with a mailed set of semi-structured questions in advance. The participates' response was taped with the permission of interviewees. The recording process can guarantee the quality of data collection. After the interview, the relevant response was transcribed before giving back to respondents to validate. Misunderstandings and written errors were pointed out by and re-corrected with respondents.

Besides that, other kinds of data were collected by observations about respondents' behavior, including tone of voice, body language, and facial expressions. This approach will influence the analysis and transcript of the information. High-quality data will be ensured in the whole data collection process.

3.3.2 Validity and reliability

What's more, in our data collection process, the ethics on data was also appropriately handled. To protect the respondents' identity, we used codes to identify interviewees who were kept in the separate document. The information was validated with the respondents or through other sources whenever possible or critical. Data would be destroyed to ensure confidentiality when the research purpose was complete. Last but not least, the feedback was offered whenever possible such as written summary about how useful about his or her information to our research.

Because the succession is a comparable sensitive topic in the family firm, participates might be influenced by afraid of the effect of expressing their true feelings and opinion. Our design soundly thought for the involves by interviewing separately in a comfortable place and professional guarantee the confidentiality. The context analysis and multilevel resources like psychometric evidence and body language were applied to over the validity threats from plausible alternative interpretation. Another challenge is that the number of the samples is limited which can be made up by scientific choosing interviewees, efficient interviewing, and timely validation. The validity and reliability

of our empirical study were ensured through the whole designing and execution process from the conceptual definition to the analysis measures.

3.4 Research Design: Content Analysis

The method was designed to analyze the data referred to the literature review of qualitative studies (Denise, Alfredo & Mattias, 2016). Before interviews, secondary sources of data on relevant issues in the history of the firm and participants' personal background were collected for further context analysis. And conversations were transcribed and validated by interviewees. Then linguistic phrases were presented under contextual explanation through observation notes and emerging data from the secondary resource. Successive reading and interpretation committed the quality of data. After that, universal concepts and themes were categorized and extracted in the inductive data analysis with the help of NVivo software to identify emerging items. In the end, a narrative account was created to illustrate details by themes from a different perspective. What's more, when putting approaches into effect, an archival database was be created for each interview, in which included structured interview questions, personal or demographic information of the respondent, recode interview, secondary data collected before or after the interview and notes about the non-wards information in the interview.

Chapter 4 Case Analysis

This section firstly described the history of the Chinese family business, outlining the shift toward the development of Chinese family business. Then, we elaborated on the evolution of the Yi Chen Group. After that, we analyzed Yi Chen Group succession characteristics from a multi-stakeholder interview.

4.2 Research Setting

There were three components to our research setting. The first part was a historical review of Chinese family business, which was the social background of the development of Yi Chen Group. The second part was the evaluation of Chinese family business, of which Yi Chen Group is a miniature and representative. The last part was the basic information about the business of Yi Chen industrial.

4.3.1 Historical review of Chinese family business

The political and economic climate profoundly influenced the development of the family business in China. There were four notable events in Chinese history, the foundation of the People's Republic of China, the 3rd Plenary Session of the 11th CCCPC in 1978; Deng Xiaoping's Southern Tour Speech in 1992; the 16th Party Conference in 2002. Those four impression events put an incredible change in Chinese economic development direction. Based on that, the development of Chinese family business was classified into five stages. (the detail showed in table 4-1)

Table 4-1 Historical Review of Chinese Family Business

Stage	Period	Milestone	Economy and Policy	Family Business
Initial birth stage	~ 1948		Self-sufficient	Pre-modern family business
Struggle stage	1949 ~	The foundation of the People's Republic of China	a planned economy	faced difficulty in rationality and survival
Reborn stage	1978 ~	the 3rd Plenary Session of the 11th CCCPC	a market economy, reform and opening-up policy	Grow rapidly in quantity
Step-up stage	1992 ~	Deng Xiaoping's Southern Tour Speech	free market of labor and other resources	Develop gradually but immature
Prosperous stage	2002 ~ Now	the 16th Party Conference	support and guide the development of the non-public sector	became an essential component of the national economy

Source: reorganized by author

From ancient China to 1949, familism and pan-familism existed and played an important role in a self-sufficient society from innovating production method to technology. This was the initial birth and growth of the family business, which had a unusual organizational structure, information, culture, and ethics. The region of Shanxi and Huizhou had the most potent merchant groups in Ming and Qing Dynasties, which generated the foundation of pre-modern Chinese family business. However, in the Anti-Japanese War and the Liberation War, China suffered a lot and struggled to survive even managed to grow stronger, so did family business.

The second stage started at the establishment of the People's Republic of China in 1949. In the following 30 years, social productivity reached an unprecedented lowest level, because of learning the Soviet Union's economic model, a planned economy and shift to socialism. Family businesses faced difficulty in rationality and survival.

After the 3rd Plenary Session of the 11th CCCPC in 1978, a planned economy was shifted to a market economy. The reform and opening-up policy were going to implement in China. This provided an essential opportunity for the reborn of the family business. After 12th NCCPC in 1982, the private economy received recognition and legal support from the government. Accompany with the private enterprise spreading across the country, family business with more than eight employees were increased to 400,000 family businesses. And the family business experienced a growth stage until the step-up stage in 1992, majority of them were small in scale and not mature in the managerial model and need specific "soil" to develop, but this stage is a crucial stage for family business's future development.

From 1992 to 2002, family business experiences a gradual development thanks to the

free market of labor and other resources. One example is that Chinese family businesses benefited substantially from government policies in that stage. Another example is that the government support Chinese family businesses to go public directly, and the Hong Kong stock market welcome Mainland's private business to enter their capital market. Even with unprecedented opportunity, but also challenge on technology management, quality innovation, and so on to build up competitive advantages. This stage was regarded as the immature stage of family businesses. High demand in the market, political support like taxation, but human resource was managed casually, and the paternalistic style was prevalent in family management.

In the fifth stage from 2002, the 16th NPC announced to encourage, support and guide the development of the non-public sector. Chinese family business embraced an excellent opportunity for rapid growth.¹ As the reform and opening-up policy went further, and the substantial managerial experience accumulated, the family business became an essential component of the national economy. Until 2013, 3rd Plenary Session of the 18th CCCPC deepened the reform and put forward the mixed economy. In 2014, the 4th Plenary Session of the 18th CCCPC requested to improve the nation's governance system. This challenged the corporates to change into mixed-ownership enterprises and push family business to go public.

Overall, though the historical review of Chinese family business, we can see the close relationship between policy or government and the development of family business. For instance, some entrepreneurs who were government officials had accumulated social capital and more sensitive to the government policy. This was an invisible force but impressive for Chinese corporates. That was why politics and government had been a force of power cannot be ignored in Chinese culture as an external stakeholder.

4.3.2 Evolution path of Chinese family business

Different clues had been found by domestic scholars to conclude a regularity on the developmental path for Chinese family business. As the expanding and permeating

¹ In 2002, the Institute of Sociology, Chinese Academy of Social Sciences, Chinese Sociological Association, and All-China Federation of Industry and Commerce jointly conducted a survey in 21 cities and autonomous regions. They selected 1,947 small-and-medium-sized enterprises in 250 cities and found that 80% of the enterprises were family or pan-family businesses.

throughout the society, Chinese family culture highly influenced the path of development of a corporation. The Chu in 2003 also pointed out, the evolution of family was the fusion between social capital and family in and essence degree. The previous researcher defined the Chinese family business development path as follow:

“On the developmental path of a family business, domestic scholars basically agree that family businesses evolve on the route of a home business, beginning with the familiarization of the enterprise, to the corporatization of family, and then to a widely held public company. They reached a consensus on the final result of the evolution: a widely held public company is the ideal choice for the sustainable development of single-family business.” summed up by Bin (2016).

Most of the Chinese family business started from home business. Since self-sufficient society, Chinese family liked to work together, and “family standard” was one of the characteristics of Chinese culture. Under particular politic and economic background, a home business established based on its advantage of saving on finance, human resource, the fluidity of information, and quick decision making. In this stage, the people were appointed according to kinship ties in a family workshop. It was a conservative behavior, but kinship ties respect trust and value behind, even it could give non-family members a sense of disbelief and ignorance.

As a home business develops, a family business emerges when a family patriarch was chosen to control the family and business issues and appoint family members to specific positions. In this stage, family members control the shareholder rights and combine ownership and operation. The family patriarch determined the corporate culture. A family business seemed like a miniature society with strong cohesion and trust; family members mobilized according to family causes. The succession of kinship ties and family’s prosperity were core issues of family businesses. Instead of financial rewards, family members had a high responsibility to serve their family and avoid adverse selection and moral hazards. Lower asymmetric information and transaction costs, efficient communication, and high trust, common vision, and mission were the advantages of a family business. However, the disadvantages were also apparent that it was hard to penalize the family members who offend corporate regulations and allergic to talent outsiders and sensible advises.

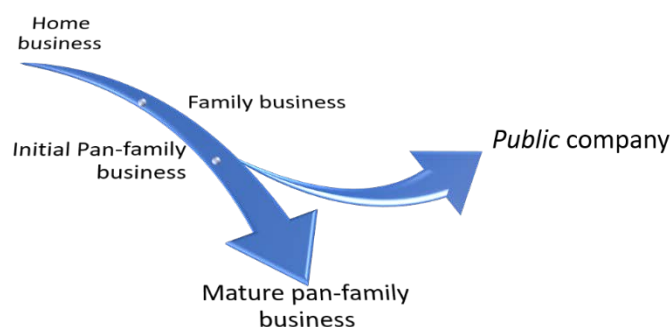
The unique stage of Chinese family was a pan-family business which performed more

than “familism.” That means that the Chinese behaved in non-family groups in a familism way. Pan-family model was a dynamic, open, and strongly excludable concept to interpret Chinese family business and distinguish from the western family business. For example, in our study, the senior successor and his wife called one of executive director as aunt but without kinship. They treat non-family members as an “insider” by giving her a title of family. They used this way to show value and treat people on particularism rather than universalism.

“Yang (1998) argued that Chinese people promote the organizational, interpersonal and behavioral characteristics of family: (1) Chinese people popularize the family’s structure and operation to non-family groups or organizations; (2) Chinese people popularize a family’s ethical relationships to non-family groups or organizations; and (3) Chinese people popularize the concept, attitude, and behavior they learn within family to non-family groups or organizations.” (from Bin in 2016)

To grow, a family business needed to recruit professional to manage and integrate human resource, extend the commercial network to increase its market profitability, as well as absorb social capital for expansion. These processes influenced family business control right and ownership. If it were lower than a critical value, a family business would evolve into a public company. But this social capital absorbing process can be failed. In the end, a Chinese family business can develop to a public hold company or still keep as a pan-family. For example, in our research, a family patriarch decided to go public in Hong Kong stock market to absorb money and increase its influence, but still, control a critical value in his family. (the figure 4-1 demonstrate the evolution path of Chinese family business)

Figure 4-1 Evolution Path of Chinese Family Business



Source: reorganized by author

4.3.3 Yi Chen industrial

Hebei Yi Chen Industrial Group Co., Ltd. was established in 2001 by Mr. Zhang formerly known as Hebei Yi Chen Industrial Group Co., Ltd. In 2003, by successfully participating in the Nanjing Metro project as a supplier of railway fastener systems, Yi Chen marked the entry into the Chinese subway market. From 2003, production and sale of railway fastener and welding materials had been their primary business. The company's products were divided into pre-assembled products, parts, and components. The company's railway fastener system products were mainly composed of four main components, in which the company's production line produced the three significant parts of the spring bar, bolts and screws, and cast-iron products. It mainly supplied to four types of the high-speed railway: traditional railway, urban rail transit, and heavy-duty railway.

As China Government controlled the transportation industry, from 2006 to 2105, Yi Chen Group established their business all over China though taking part in the bidding of railway programs of government. For example, Yi Chen Group participated in the expansion project of the Guizhou-Guizhou Railway in 2006; successfully invested in the Taiyuan-Zhongwei (Yinchuan) railway project in 2009; participated in the Xiamen-Shenzhen high-speed railway project in 2010. In 2012, Yi Chen Group became one of only a few railway component suppliers approved by China Railway Inspection and Certification Center to supply high-speed railway fastener systems in China. In 2014, Yi Chen Group participated in the Shanghai-Kunming high-speed railway project, which was the central high-speed railway of China's four vertical and four horizontal high-speed railways, and the first high-speed railway in Yunnan Province. In 2015, it successfully invested in the Chenggao high-speed rail project and entered into a supply agreement for the railway fastener system. The total contract amount exceeded RMB375 million.

On December 9, the railway fastener system supplier Hebei Yi Chen Industrial Group Co., Ltd. officially launched the IPO, and the Hong Kong stocks entered the countdown stage. (Columnist: Zeng Qiangsheng, 09-12-2016, Zhitong Finance)

With the stock issuing process, the performance of Yi Chen Industrial was transparent to the public. According to a report issued by Frost & Sullivan, based on the 2015 revenue, Yi Chen Industrial was China's largest supplier of railway fastener systems,

accounting for 17.1% of the Chinese railway fastener system market share. In 2015, the revenue generated by the railway fastener system products accounted for 91.3% of the company's total revenue. Also, the company was also engaged in the sales of welding materials products, but the revenue of this business segment accounted for only 8.7%.

From 2013 to 2015, the revenue of Yi Chen Industrial increased year by year (609 million yuan (RMB, the same unit), 855 million and 907 million, respectively), and net profit was 67.171 million, 188 million, and 228 million, respectively. The net profit growth rate of Yi Chen Industrial was much higher than the growth rate of revenue, mainly due to the continuous growth of the company's gross profit margin. (the structure of Yi Chen Industry was showed in Table 4-2)

Table 4-2 Investment of Hebei Yi Chen Industrial Group Co., Ltd.

Name of Company	Legal Representative	Found Ratio	Establish Date
Yi Chen Railway Engineering Equipment Co., Ltd	Scorpion	51%	1994
Yi Chen Enterprise Management Services Ltd	Junior son	100%	2011
Hebei Tie Ke Yi Chen New Material Technology Co., Ltd.	Outside person	49%	2012
Hebei Yi Chen Trading Co., Ltd	Another scorpion	100%	2013
Beijing Chen Teng Technology Co., Ltd	Senior son	100%	2017

Source: organized by author

4.2 The Development of Mr. Zhang's Family Business

In this session, we illustrated the structure of Mr. Zhang's family firstly. Then we described how he developed his family business and the characteristic of his family business from the knowledge and resource-based view.

There are three generations in Mr. Zhang's family. In his core family, Mr. Zhang and his wife had two sons, and both of them got married and born two children. Except for Mr. Zhang's wife, who was a full-time housewife and the young children, all adults took part in the family business.

Before establishing Yi Chen Industrial, Mr. Zhang, together with his cousin and other individuals, set up Lian Zhou Rolling Mill in Mr. Zhang's hometown in 1985, which was a Chinese collectively owned enterprise. Their main business was to produce rolled steel products, which highly relied on the machine. Mr. Zhang was the legal representative and the factory manager, responsible for the overall business and factory

management. And his cousin was appointed as production director, responsible for the whole production. Mr. Zhang employed his Scorpion as an accountant in which was his major, and then he got promotion and was responsible for operational and financial management. The experience in collectively owned enterprise inspired Mr. Zhang to establish his own business and accumulated necessary human resource and professional knowledge in the infrastructure industry.

Having the products, Mr. Zhang was trying to sell his products and developed relationships with clients. From 1993 to 1998, he served as the chairman and general manager of Yi Chen Industry and Trade Co., Ltd to sell his products. During the same period, Mr. Zhang's Scorpion changed his job to Gao Cheng railway engineering equipment factory (an invested company by Yi Chen Group from 1994) and charged for sales or marketing matters. After the resignation of the government office in March of 2001, Mr. Zhang established Hebei Yi Chen Industrial Group Co., Ltd in April in the same year. He appointed his cousin to charge production which was his strength and appointed his scorpion as deputy general manager continually charging for sale.

As the Hebei Yi Chen Industrial Group Co., Ltd established, more family members joined into the family business, such as Mr. Zhang's brother in law. There were six initial shareholders of the family business. In 2003, Mr. Zhang's senior son who was 23 years old, finished his study in international business management and joined the family business as a learner with his cousin (Mr. Zhang's scorpion mentioned before) to sell the products. When his senior son got married, his wife quit her job in the tax department of Gao Chen district and began to serve the family business in the financial department. Both Mr. Zhang's junior son and his wife began to work for the family business after the college.

In the following decade, Yi Chen group tried its best to improve market profitability. This means that the family business needs to extend the commercial network and ship its core competency, so Yi Chen group put its effort to grow and be grouping. Mr. Zhang, as the patriarch of the family, successively established or invested five companies and four of them with the second generation as legal representatives. In that period, expansion of capital was essential for the family business further development. That was one of the reasons that the board of Yi Chen Group decided to absorb public investment in 2013, and they prepared a lot for this strategy. One of impressive

preparation was the extension of organizational structure. Even family members can learn managerial knowledge through MBA program or e-learning, it also needed to recruit professional engineers and financial people and integrate to its human resource. Yi Chen Group recruited one professional financial manager, one joint company secretary, and three engineers with excellent education and professional working experience from 2010 till now. Since issuing stock in the Hong Kong market until now, there are 11 family members with shares of the company and six professional outsiders in financial, administration, and engineering, among 17 executive managers of Yi Chen Group.

Overall, the development of Mr. Zhang's family business experienced the whole path of evolution of Chinese family business. Because of the requirement of the industry, its initial enterprise was not a homemade business. It is clear to see that Mr. Zhang's family business developed from a small factory to a mature family business by integrating his family, relatives, and social resource.

4.3 Analysis of Succession Traits from A Multi-stakeholder Perspective

After processing the qualitative data from interviewing Mr. Zhang's family, and analyzing the secondary data of setting of Chinese family business and Mr. Zhang's family business, five dynamics of Chinese family business were illustrated in this part from a multi-stakeholder perspective.

Before that, a very important and essential topic is the purpose of the succession of the family business, namely, the future and expectation of the enterprise. In our research, we interviewed six interviewees with different position of the family business, including the current leader, potential successor, family members in the family business and exclusive business family members, non-family employees. They showed a comment idea of this question, which is the sustainable development and better performance of the enterprise. The better performance was defined by four characters: scale, managerial level, technology level, and social responsibility. Those were both the purpose and the criteria to value the result of a succession.

The first point is to stronger and expands the scale of the enterprise, improve the managerial level, promote the technology in productions, as the profit can raise with the increase of the

technology, and what's more, I also hope they can take more social responsibility and contribute to the country..... (Mr. Zhang)

4.3.1 Successor characteristic

Through our interview of multi-level of stakeholders in Yi Chen group, we found that the characteristics of a suitable successor are in five categories which were inside consciousness and realization, moral quality, competency, behavior style, and outside promoter.

Competency Most of the next generations mentions the competency of successor frequency, such as academic knowledge or certification, managerial skills, political literacy, leadership, high ability to act, independent ideas or judgement, sensitive to market, be familiar with the operation and production process, ability to use resource, challenge and conquer himself, reform and innovation. Mr. Zhang added another new item, which is the ability to foster the next generation. For example, he mentioned:

I also hope that they can nurture and foster their children well; I am standing on a long-term development perspective to foster the next generation. (Mr. Zhang)

Consciousness and Realization The incumbent thought these competencies were basic qualities that a qualified successor should and must have. Mr. Zhang gave much higher requirements for a suitable successor of Chinese family business. We categorized those items in self-consciousness and realization. In this category, he highlighted three indexes, which were social responsibility, legal & policy, and cultural inheritance. He repeatedly emphasized the social responsibility of a family business and the initial quality of successor is his or her sense of social responsibility.

As a manager of an enterprise, initially he needs social responsibility, he cannot reject to take social responsibility with the reason that the enterprise belongs to a family. And in the future, he needs to contribute to the county, take on the duty, nurture talent and create wealth for the society. As the enterprise grow and strengthen, it not only belongs to a family but also belongs to society..... If they do not have these kinds of characteristics, he or she cannot succeed the family business successfully..... handing down the family business well and managing well is not an issue for a certain family, as the family business takes plenty of social responsibility. (Mr. Zhang)

Mr. Zhang also mentioned that inheriting Chinese culture is an essential requirement and guideline of Chinese people's performance. This showed in two examples. First, the love and loyalty to the country; if a person had no passion in his country, he could not contribute to his family. A qualified successor should inherit Chinese national culture. The other example is appointing based on their competency rather than kinship. Used the person who has the skill is a sensible person's behavior.

A family business is just a drop of water of its nation..... If you promoted the person and trust the person because of kinship and regardless of his ability, it would be against the Chinese traditional culture. (Mr. Zhang)

The third index is legal and policy. The Yi Chen Group developed based on the reform and open policy of the government and the 30-year-impeccable behavior relied on upon strictly follow the law and regulation.

Chinese nation and natives have their own and unique beliefs and behavior styles. These can be reflected by the people's consciousness and realization, which includes social responsibility, legal & politics, and culture inheritances. Besides those three categories, a qualified successor should also have a development consciousness in the mission and vision, and sound thinking of general interest about industry and family business. (the consciousness and realization triangle were illustrated in figure 4-2)

Figure 4-2 Consciousness & Realization Triangle



Source: reorganized by author

Moral Quality All the interviewees mentioned the importance of moral quality and even put it higher than competency. They think moral quality means a lot in Chinese culture,

which not only means following the hurt other people and stakeholders' wellbeing but also means care honest, care about employees, high sense of responsibility, care about another people's benefit before himself.

Behave Style Our interviewees also mentioned that the successor should have life-long learning because society is developing. And he or she should have passion and interest in the family business. This important, because of this, the successor will proactively. He should also loyalty to the company with integrity, have high adaptability to deal with the change during the transferring stage. What's more, hardworking and fighting spirit was also important in his or her behavior style.

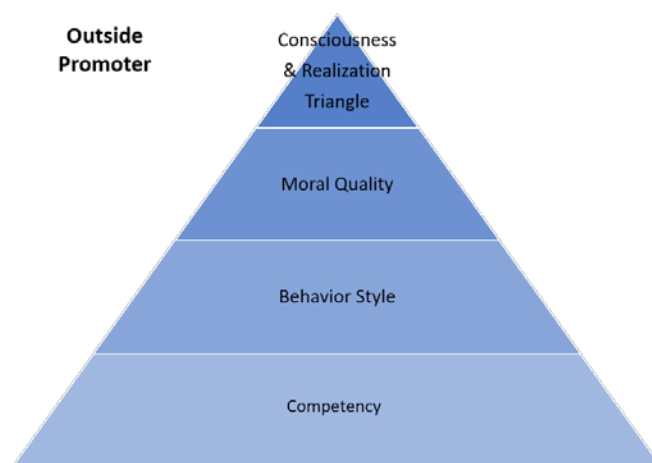
..... if he or she has no interest and do business in a passive way, it will kill the family business. (The senior son of Mr. Zhang)

Outside Promoter The outside promoter included social and personal perspectives. The team developed in his or her working experience and his networking outside the company performed as an implement promoter to help him or her hand on the family business from the last generation. Social promoters were the resource in the enterprise's environment, including politics, economy, and so on. For example, Mr. Zhang's achievements benefited from his vast social support. From May 1989 to March 2001, Mr. Zhang served as the deputy director of the Southern Shang Zhuang Village Committee of Lian Zhou Town, Gao Cheng City, China. The identity as a government officer provided him an opportunity to establish a collectively owned enterprise with the recognition and support of the local government. When he ran a family business well, he was selected by the local government as the representative of Gao Chen City and He Bei Province on the 12th and 13th People's Congress of China. He was also the vice president of the Private Enterprise Association of Shijiazhuang and president of the Private Enterprise Association of Gao Cheng District as well as vice president of the third council of Hebei Private Enterprise Association from 2006 to 2015. Now he is currently a member of the standing committee of the People's Congress of Gao Cheng District.

Overall, as a suitable successor of Chinese family business, a group of competencies was a basic need. Only competencies were not enough because a suitable successor should also have the ability to utilize these competencies in a particular behavior pattern.

Those two categories were less important than the requirement of moral quality and consciousness and realization triangle. Besides, certain outside factors may promote the successor to be hand on the family business and do help on its future performance. (the criteria for a suitable successor was demonstrated in figure 4-3)

Figure 4-3 Criteria for A Suitable Successor



Source: reorganized by author

4.3.3 Succession strategy

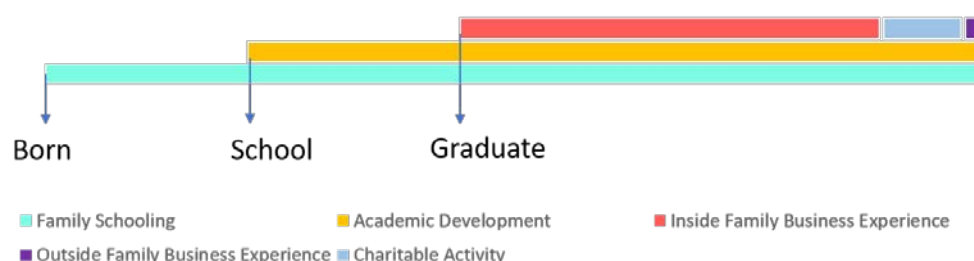
When we interviewed Mr. Zhang, he mentioned that he only had a preliminary idea about succession. And the loyal employee also confirmed that Mr. Zhang was healthy and had no obvious succession intensive. Mr. Zhang had fostered and trained his next generation and next and next generation from an early time beginning with schooling. There was no confident decision on a successor during the whole foster and training process. Although he highlighted survival and social responsibility of the enterprise was more significant than the family interest, he would choose an outside manager if necessary. However, he decided to cultivate and foster his children in the family business after school and the outsider manager was only a plan B which would happen when the intrafamily succession fail, and that person should be much better than Mr. Zhang's family members. And Mr. Zhang observed and supervised his children during the nurturing period, giving support and recognition without an evitable indicator on who would be the successor. And family members were sensitive on the topic of who was the potential successor and the dyssynchronous realization between incumbent and successors on the succession process. For example, Mr. Zhang thought he had not

decided who was the successor and succession process, but the senior son thought his father had already begun to transform some power and business to the next generation.

4.3.3 Asymmetric foster

The overall foster characters were early and valued family schooling, continuously academic developing abundant inside family business experience, novel social, charitable activities and limited outside family business experience. (the foster model of Mr. Zhang's family business was described in figure 4-4)

Figure 4-4 Asymmetric Foster



Source: reorganized by author

Family schooling in our research, the senior son of Mr. Zhang and his executive director thought Mr. Zhang had a substantial responsibility and contributed to the family and its business. The model role of parents influenced the value of their children. The senior son was asked about his career plan; he mentioned we want to lead the family business to a better future and contribute himself to the family business. When asking him feeling about his working experience of the family business, he mentions that:

..... the most impressive experience of working for my family business is the big sales and helping the company purchasing a set of machines with high technology in that period. besides doing his own job, I feel that I contribute my effort to the family and take my responsibility. (senior son of Mr. Zhang)

Academic developing Mr. Zhang tried his better to provide his children with good educational opportunities. And even they went to work in the family business after school, Mr. Zhang also encouraged them to do further study to enrich themselves. And we can see that all the family members in the managerial position achieved a

management degree besides their professional, and this usually happened during the in company working experience. For example, Mr. Zhang's scorpion graduated from college in 1995 in the major of accounting. After his promotion from a regular accountant to a financial manager, he achieved another certification in business administration in 1999. After April in 2001, working as a deputy general manager, he finished his third certification in engineering. Life-long learning can also be seen for Mr. Zhang's two sons. And regularly, further study kept up with the need for knowledge required during family business working time.

Inside family business experience when Mr. Zhang's children finished their college study, he would encourage them to work in the family business, and their first position in the family business was a normal worker according to their major. The purpose of this strategy was to combine what they learn in the college into practice, mentioned by Mr. Zhang. For example, Mr. Zhang's scorpion worked with Mr. Zhang since collectively owned enterprise and pointed as a normal accountant who was his major. Another aim of this strategy was to teach them down to the earth, built a solid foundation of their family business; besides that, it is to motivate their fighting spirit and hard working.

..... a qualified successor should also able to challenge and conquer himself..... (Mr. Zhang)

Mr. Zhang would also give them promotion according to their performance, and this also was seen as a recognition by senior son. Then Mr. Zhang would move his children to another department, and they needed to learn from beginning in the new department. After several departments training, Mr. Zhang gave him or her a position in management in an essential department. For example, he appointed his scorpion as a general manager of Yi Chen Group after issuing stock in 2015 when Mr. Zhang changed himself from the general manager to the president of the board. He appointed his senior son as deputy general manager in the sale department and his junior son as deputy general manager in financial. When his two sons got married, his two daughters in law began to work inside the family business. His daughter in law, the wife of senior son, quitted her job in tax bureau to work in the family business after married as a mister in the finance department. The other Mr. Zhang's daughter in law, the wife of junior son, directly work as a secretary of general manager (Mr. Zhang's scorpion) after graduation.

Charitable activities Another strategy Mr. Zhang mentioned was that he highly encouraged his children to take part in charitable activities and provided a platform for them. He thought that it is a good way to foster his children's patriotism by participating in social, philanthropic activities. Only when they have a passion for the country, they can develop sound thinking and fulfill their social responsibility.

Outside family business experience Several interviewees mentioned outside company working experience, and if the successor had the working experience in another national company or the private company in the same industry, it would be better. But they regarded outside working experience as a supplement instead of essential. The young generation realized to the benefit of outside family business working experience, but none of them choose to work in another company to practice since they established the relationship with the family business, and it might also bring new ideas to the family business. And the incumbent seemed to have no plan for that.

4.3.5 Impeccable inside training

The next generations thought work for the family business was a way to take family responsibility; their achievement was a kind of contribution to the family. An inside family business can also help the young generation know the true situation of the company in operation, production process, human resource structure, and so on. The experience of working in a basic department, like a production line, sale confront the market, could foster next generations qualities like hardworking, fight spirit. When he felt the difficulty and hardship about the developing of the family business, he would treasure current achievement and work harder to do better. It was also a good opportunity to confront employees and stand on their shoes to understand their needs and problems. Recognition of employees' sensitive incentive dynamic helped the young generation to establish his team and reputation. Inside family business training promoted coordination among different departments and provided a solid foundation for a successor to make a stable transform and lead the family business to achieve better performance. However, most of the interviewees thought there was no adverse effect for inside family business training. One interview also mentioned that it could be regarded as an opportunity to learn how to manage his subordinates and be a pressure to improve and motivation.

I think the negative effect is not very important. When he or she works in the first-line department, there can be some no cooperation or some argument. I think it should be treated properly.....

4.3.5 Stand aside stakeholders

All interviewees in the family thought the non-family stakeholders were an important group of people for the family business and its future development. For family members, they admitted the succession would influence on-family stakeholders' forward-looking perspective.

..... the realization of the importance of non-family stakeholders was a wise decision for any family enterprise..... (Mr. Zhang)

However, when talking about the succession topic, the non-family members said they cared about the succession, but they served the company instead of a person. And they would only speak out their opinion on a specific situation. And family members thought that non-family stakeholders had limited effect and were just an implementation condition for the succession.

In summary, though processing the qualitative data from interviews and archival from a real Chinese family business, we draw five themes about the characteristics of an intra-family succession of Chinese family business. These five themes unfolded a picture of Chinese family business on their unique succession strategy, complex requirement on the next successor, Chinese training and foster process, and opinions about an intrafamily working experience from different stakeholders.

We found that the current Chinese family business were: (1) motivated by the essential to guarantee long-term development of family business because of social responsibility and mission of culture revival, and also (2) aware of complex characteristics for a suitable successor which lead to form unique succession strategy based on Chinese culture and social dynamic, however, (3) the young generations grow under asymmetric foster from the early beginning and the inside training seems to be impeccable, as well as (4) the important stakeholder of business stand aside in succession process.

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Chapter 5 Discussion and Conclusion

In this section, the characteristics of intra-family succession in Chinese family business were discussed firstly based on resource and acknowledge-based view. Then we highlighted two unexpected and exciting results linked to the research questions. And some related opinions and found by previous studies were pointed out and comprised in the first two sessions. The conclusion was conducted after the discussion. In the final part, we stated the limitation or weakness of our research before recommended some ideas for further study in this field.

5.1 Discussion

We have reported the history and the evolution path of Chinese family business, which provided the research setting about our qualitative study. In this part, we explored the characteristics of Chinese family business succession in three topics: the strategy of Chinese family business succession; the competency of suitable successor; the training process, and different stakeholder's perspective in this preparation stage.

Succession setting

For a country like China, the government has the power to influence nearly every resource and channel. That means a healthy and fertile soil on social and political is the prerequisites of a bright future for the enterprise. Forecasting and following the last policy are the essential requirement for survival in Chinese society, even for a family business. The second component is that a foreseeable possibility of development and prosperous of the industry is a necessary condition for a family business succession decision. Besides that, the stage of a family business in their evaluation process should also be considered. The pan-family scene put pressure on the incumbent to find the survival of the family business to remain a current family business, and other family members may see it as descent choice to work for a family business. Overall, these three components provide an essential condition for the birth of family business succession. The first two aspects were about succession setting for an enterprise in Chinese background while the extent of mature on a family business evolution was special criteria to consider the future of their family.

With the external promotion, the family business puts succession into its schedule. Four factors, found in our research, promote the intra-family business succession, which are a passion, foster, higher requirement, and incumbent health. Next generation's interest and passion for the family business influence their behavior and the incumbent's intention to cultivate him or her. And the development of family business provided better financial support to foster the young generation from a young age beginning from family schooling. The intentional nurture and adequate resource developed next generation more suit the need of a qualified successor. Those promote the intrafamily succession and consistent with previous research. What interesting and new in our research is that the incumbent put the forward higher requirement to outside professions who was confirmed to be the alternative candidate for the family business succession. According to our multi-stakeholder interview, intra-family succession was agreed by all interviewees as the first choice if possible. What different was, to some extent, if the incumbent were healthy, the succession would put off. A good physical condition of the incumbent can provide more energy to training the next generation until they have the ability to charge the business by himself. By contrast, if the young generation had not enough competency to take the family business, but the incumbent had bad health, the outside candidate would be chosen to survive the enterprise.

Strategy of Chinese family business

We chose Mr. Zhang's family business as a live-case for our study because we thought they had already met our two basic assumptions and was considering the succession or just in the succession process according to the archives. Based on the result of a historical review of Chinese family business and evolution of Chinese family business, it is perspicuous that Mr. Zhang's family business established from the step-up stage of a family business and it was on the way to mature. Based on the conduction of Mr. Zhang's family business development and current situation, it is easy to lead a misunderstanding that they had already considered the succession or in the succession process. However, the result of the interview on the incumbent was unexpected. He denied the intention of succession and expressed the attitude on succession in an implicit way. Whereas, he has already had clear criteria for a suitable successor and tried to provide a platform for the young generation to acquire those qualities.

It is true that there is no certain sequence for the succession process, and the strategies

are chosen based on managerial knowledge of the incumbent, cultural or social background, and special incidents. Even Mr. Zhang's words and behavior were unanticipated; it made sense related to Chinese culture and behavioral pattern. Chinese people would not share their opinion until very certain. They prefer to watch the evolving of a certain incident silently and collect information to evaluate before taking actions. One significant benefit was giving the next generation a sense of equal possibility. That would motivate them to try their best to prove themselves. However, this strategy worked on some condition, like parents gave equal treatments and no preference in daily life, the young generation had a tight and healthy relationship. Otherwise, this silence and observation strategy would increase bad competition and brothers' conflicts.

Successor characteristic

We recognized a set of characteristics about a suitable successor for a certain Chinese family business based on resource and knowledge-based view. Although it might be influenced by the type of business and its environment, the broad regimentations are almost the same comparing with the previous study. Chinese family business also requires a multiplicity of abilities for next leader consisting of hard and soft skills. The discrepancy is the weight of each category in identifying a qualified successor. Current Chinese entrepreneurs care more about the successor's consciousness and realizations than his or her competency, especially, a successor's vision and value on the nation, country, and society. Even though data were collected from observations on various standpoint, the moral in personality traits were highlighted. In view of the fact that Chinese emphasize collectivism, the successor's consciousness on social responsibility is an especially considerable trait. Besides that, patriotism and cultural heritage are underlined in Chinese culture and education content, and outside factors are accessional. The moral quality and consciousness are extraordinary requirements for Chinese family business successors.

Inside family business training

According to the Values Survey Modules (VSM) by Geert Hofstede's question set, Chinese people had a strong long-term oriented personality, comparing that of other nations. That makes sense that Chinese people pour much energy to nurture the next

generation and add strong expectation on their future career. Apart from that, young Chinese ages have already noticed the impressive on long-life learning and managerial knowledge for a leader in the family business. And their nurture pattern relates to meet the requirement of suitable successors.

Among several kinds of the foster program, the outside company training was ignored. Although the benefit of outside working experience was apparently, the young family members still took part in the family business impatiently and eagerly. The silence of the incumbent announcement the succession decision drove young family members engaging in family business hastily to prove their competency. A person's time and energy are limited; if a potential successor entered to the family business directly after school to get more in family business experience, he would lose the opportunity to practice in another company. The effect of this asymmetric foster dynamic may not have an immediate impact on the succession process, but the lack of the knowing the development of enterprise and industry may have long term effect to limit the successor ability to innovation and make a breakthrough in the future

Comparing with the result of previous research, inside family business working experience also gave prominence to the successful succession on the family business in the Chinese situation. It provides a successor with opportunities to know his or her enterprise and establishes a solid foundation for succession. In addition to early nurturing, the strategy of rotation in the diverse major department as a learner is similar to the most popular nurture model of international companies to foster future leaders. The difference is in Chinese family business, the trainees are almost young family members, but the cost of failure is higher because the choice runs in the opposite direction of intention of early training.

However, the Chinese family business did not realize the potential risk in this process, in their point of view, the inside company working experience seemed impeccable, even if various possibility mentioned by the previous researcher may result in potential successor lose motivation or barriers on intrafamily succession. The over-optimistic of inside company training is not a good phenomenon since the risk is underestimated. This might because our target family business had already finished the early training successfully and no deathful defect exposed in that period. And family business strategies are less transparency and more diverse, it was really hard to learn from other

family business failed experience, so without individual experience, it is hard for a family business to have risk awareness on that.

Stand aside non-family stakeholders and social resource

The importance of non-family stakeholders is also recognized by Chinese family members as mentioned in previous studies, but not influence their succession decision with certain in our research. However, like the accident on inside family working experience, the potential drawback caused by the bad relationship of non-family stakeholders also was ignored or underestimated in our investigation. In the unique Chinese family business model, the pan-family business, the Chinese family would influence the non-family members inside the company using a family way. They gave a non-family employee a family title to show value, as they were aware of the impressive of non-family members in their business if the enterprise wants further development.

By the contrary, comparing the normal enterprise, the employees would care about who would be the next leader of the enterprise because the future of the business would influence their well-being. However, in the family business, the Chinese culture influence the consciousness of people that succession is an issue of their family, people seem to unwell to interfere with other people's issues. This result in the non-family members are aware of the importance of succession of the enterprise to their lives but avoid to speak out and participate because of its family business identity. This stand aside behavior might eliminate the outside barriers on intra-family succession but result exclusiveness of non-family stakeholders.

Besides that, the identities the incumbent in society and government means invisible resource behind it, such as social status, high reputation within the industry, and social networking. That highly influence the continuously glorious of a family business. These resources may shrink and even disappear after the retirement of the incumbent. In Chinese society, social networking and relationship with the government might be a challenge for the next leader of a family business. If the young generations only have the inside family business working experience, it is hard for him to establish and expand his social networking.

5.2 Major conclusions

As the research has demonstrated, the culture influenced extremely succession strategy, successor characteristic, foster process, and position of non-family stakeholders. Chinese culture would influence the incumbent consciousness and behavior, which would generate a unique Chinese style succession strategy. The character of the incumbent as a silent observer beside trainer and supervisor hint all candidates that they have equal opportunity and feel pressure to compete and enrich themselves. The culture also influences the criteria for a qualified successor. Chinese culture highlights social responsibility, patriotism dominant, consciousness more important than competency; moral quality is the bottom line. Even the intra-family succession is not certain; the Chinese incumbent would intensively foster his or her children and provide an opportunity to develop those essential competencies. The non-family stakeholders have limited power on succession decision even the social resource is much more indispensable in Chinese society.

Besides understanding the unique characteristics, we also unfold two challenges for young Chinese family business to become mature through intra-family succession. The over-optimistic estimation on intra-family training and no preparation to eliminate the conflict and negative effects can increase the risk of intra-family succession. Unwilling and deficiency outside practice posed a restriction on the successor's long-term development and family business prosperous in Chinese complex cultural and social background.

5.3 Research limitation and future study

As China has huge territory and the unbalanced, different regions of China stress certain industry using their resource or location. For example, the south and east cities near the sea developing trading and high technology. The inland cities pay more attention to production and manufacture industry. As family businesses is a branch of private enterprises in the industry, they also need to follow the rules and regular pattern of a certain industry. Different industries have their pattern and key know-how, these may also influence the character of a family business.

The family business is the overlaps of family and business, so except the characteristics

of the industry, the family may also be the main factor to influence the analysis of Chinese family business. There are 56 nations in China, and based on different location and history, they have different culture and behavior pattern, so for a small family, a personal case has various situations and their own culture and relations. Our research is based on the culture of the north of China and the nation of Han. And the family structure is simple with only two generations.

What's more, the context analysis of qualitative study based on the talent of the researcher, so there may have a bias because of the professional knowledge of researchers and the interpretation of only one researcher to process the data. Those limitations can be eliminated by cooperating with consultant companies or other institutions to expand the number and the diversity of samples.

The Chinese family business is young, and there is a need for a greater focus on the formalization of intra-family succession process to help Chinese family business improve the efficiency of intra-family succession. However, the Chinese situation is too complicated to find a model, and more research should be done by increasing volume of observations to conduct a better dynamic system to analyze and guide Chinese family business to achieve efficient succession.

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Appendix 1 Semi-Structured Interview Question for Incumbent

Background

Main business of the firm, number of employees, number of generations in the management of family business.

When did you think about family-owned firms' succession firstly? why?

What's the current situation of the firm in the succession process?

What's the most important challenge until now?

Resource and knowledge (including Relationship)

What kind of resource and knowledge do you think is important for the new firm leaders? Could you rank them with the importance?

How did you transmit these intangible and tangible assets to successor in the offspring period? What kind of support did you give?

What your strategies on spring suitable successor and transmit essential skills to he or her?

Do you faced some challenge or get some useful comment about establish next generations leadership efficiently?

In family firm working experience

Is the potential successor already working in the company?

When do you think is the best time for the potential successor participate in the family business?

How do you value in company working experience? And why?

Succession issues

How do you think the nonfamily stakeholders like customers, suppliers, and nonfamily employees will affect the firm's perform due to succession?

Will you consider non-family stakeholders' opinions on succession issues? Why?

What recommendation would you give to the other firms engaged in the succession of their family business?

Appendix 2 Semi-Structured Interview Question for Successor

Background

When did you first touch family business? What's your most impressive experience related to family business?

What's your general feelings of working for this family?

What's your future career plan? What will influence your decision most?

Resource and knowledge (including Relationship)

What kind of resource and knowledge do you think is important for the successor to achieve future success? Could you rank them with the importance?

What are the characters of the incumbent?

Do you faced some challenge or get some useful comment about establish next generations leadership efficiently?

In family firm working experience

How do you value early working experience as a part-time or full-time employee in the family firm?

And why?

Succession issues

Do you think the nonfamily stakeholders like customers, suppliers, and nonfamily employees affect succession issues? Which process could be influenced? How and why?

What recommendation would you give to the successors engaged in the succession of their family business?

Appendix 3 Semi-Structured Interview Question for Family Members

Background

What's your relationship with the leader of this company? (wife/daughter/brother)
Did you participate in the company's daily business?
Who is the successor for the family business in your opinion?

Resource and knowledge (including Relationship)

What kind of resource and knowledge do you think is important for the new firm leaders? Could you rank them with the importance?

In family firm working experience

How did the potential successor participate in the family business?
Did you think there is any influence to him? And why?

Succession issues

Do you think the nonfamily stakeholders like customers, suppliers, and nonfamily employees will affect the firm's perform due to succession?
Will you consider non-family stakeholders' opinions on succession issues? Why?
What recommendation would you give to the other family engaged in the succession?

Appendix 4 Semi-Structured Interview Question for Non-family Stakeholder

Background with the family firm

- When did you established the business relationship with this family firm?
- What's their future image in your point?
- How important of the family firm to your business?

Resource and knowledge (including Relationship)

- What do you value most in the relationship with the business with this family firm?
- How did you do or plan to do to maintain the stable relationship with the firm?

In family firm working experience

- How do you value the potential successor's working experience in the company?
- What's the extent influence to you if he works as a part-time or full-time employee in company?

Succession issues

- Do you care about the sustainable of the family firm? Have you ever cared who will be the next leader of the family firm?
 - In your perspective, how the succession of a family-firm related to you? What's your opinion and expectation about succession process?
 - In your personal experience, what kind of challenge and opportunities if a family firm process succession?
 - If you have the opportunities, would you engaged in and speak out your opinion about it? What could they be?
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