

ISCTE  IUL
Instituto Universitário de Lisboa

IUL School of Business

**Sustainable Development of Chinese Family Businesses:
A Dynamic Capability Approach**

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Thesis submitted as partial requirement for the conferral of the degree of
Doctor in Management

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Thesis specially presented for the fulfillment of the degree of
Doctor in Management

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Abstract

Family business is one of the oldest and most common models of economic organization in human history. Whether in a manorial economy, farming society or a modern market economy, it always has a very strong vitality, evolves with the developing economy and society, and plays an important role in the economic development of a country or region.

With the further expansion of economic globalization, Chinese family business will face a more intense competitive market environment with increasing uncertainty. In order to survive and develop, they must continue to carry out activities with independent innovation and entrepreneurship. Therefore, a basic and important problem is how can the Chinese family business keep its competitive advantage, and achieve sustainable development? Based on that, this study examines how social capital and dynamic capability affect the sustainable development of a family business, and how the core family transfer the social capital, and dynamic capability to the next generation.

In this study, we have adopted the qualitative research approach. Overall, 17 cases were selected, covering 8 provinces of China. Using a qualitative case study approach consisting of in-depth, semi-structured interviews and analyzing the data with content analysis methodology, we conducted research that is designed to add to the existing theory on family firms' succession.

Based on the social capital theory, this research constructs a development model from the dynamic capability perspective to help Chinese family business keep the competitive advantage, achieve a successful succession and achieve sustainable development. This thesis makes several substantive theoretical contributions to current Chinese family business studies, and has practical implications for business executives.

Key words: Dynamic Capability, Succession, Social Capital, Chinese Family Business, Sustainable Development

JEL classification: M10

Resumo

Das muitas formas de empresas, a empresa familiar é um dos modelos mais antigos e mais comuns de organização econômica da história humana. Quer seja numa economia senhorial, numa sociedade agrícola ou numa economia de mercado moderna, tem sempre uma vitalidade muito forte, evolui com a economia e a sociedade em desenvolvimento e desempenha um papel importante no desenvolvimento económico de um país ou uma região.

Com a expansão da globalização econômica, as empresas familiares chinesas enfrentarão um ambiente de mercado competitivo mais intenso, com crescente incerteza. Para sobreviver e se desenvolver, essas empresas devem continuar a realizar atividades com inovação e empreendedorismo independentes. Um problema básico e importante é, como as empresas familiares chinesas podem manter sua vantagem competitiva e atingir um desenvolvimento sustentável? Com base nisso, este estudo examina como o capital social e a capacidade de dinamização afetam o desenvolvimento sustentável de uma empresa familiar e como a família central transfere o capital social e a capacidade de dinamização para a próxima geração.

Neste estudo, adotamos a abordagem de pesquisa qualitativa. No total, foram selecionados 17 casos, cobrindo 8 províncias da China. Utilizando uma abordagem qualitativa de estudo de casos, consistindo em entrevistas semi-estruturadas e aprofundadas e analisando os dados com a metodologia de análise de conteúdo, realizamos uma pesquisa que se destina a acrescentar à teoria existente sobre a sucessão de empresas familiares.

Com base na teoria do capital social, esta pesquisa constrói um modelo de desenvolvimento a partir da perspectiva de capacidade de dinamização para ajudar as empresas familiares chinesas a manter a vantagem competitiva, alcançar uma sucessão bem-sucedida e alcançar o desenvolvimento sustentável. Esta tese faz várias contribuições teóricas substantivas para os estudos atuais de negócios familiar na China e tem implicações práticas para os executivos de negócios.

Palavras-chave: Capacidade de dinamização, Sucessão, Capital Social, Empresa Familiar Chinesa, Desenvolvimento Sustentável

Classificação JEL: M10

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List of Abbreviations

GDP Gross Domestic Product

S-C-P Structure-Conduct-Performance

RBV Resource-Based View

VRIN Valuable, Rare, Inimitable and Non-Substitutable (VRIN) resources

VRIO Valuable, Rare, Inimitable resources and Organization

DC Dynamic Capabilities

CA Competitive Advantage

SC Social Capital

IPO Initial Public Offering

MAXQDA MAX Qualitative Data Analysis

Chapter 1: Introduction

1.1 Research background

Of the many forms of enterprises, family business is one of the oldest and most common models of economic organization in human history. Whether in a manorial economy, farming society or a modern market economy, it always has a very strong vitality, evolves with the developing economy and society, and plays an important role in the economic development of a country or region.

Family firms are important, not only because they make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they assume as owners and the values they stand for.

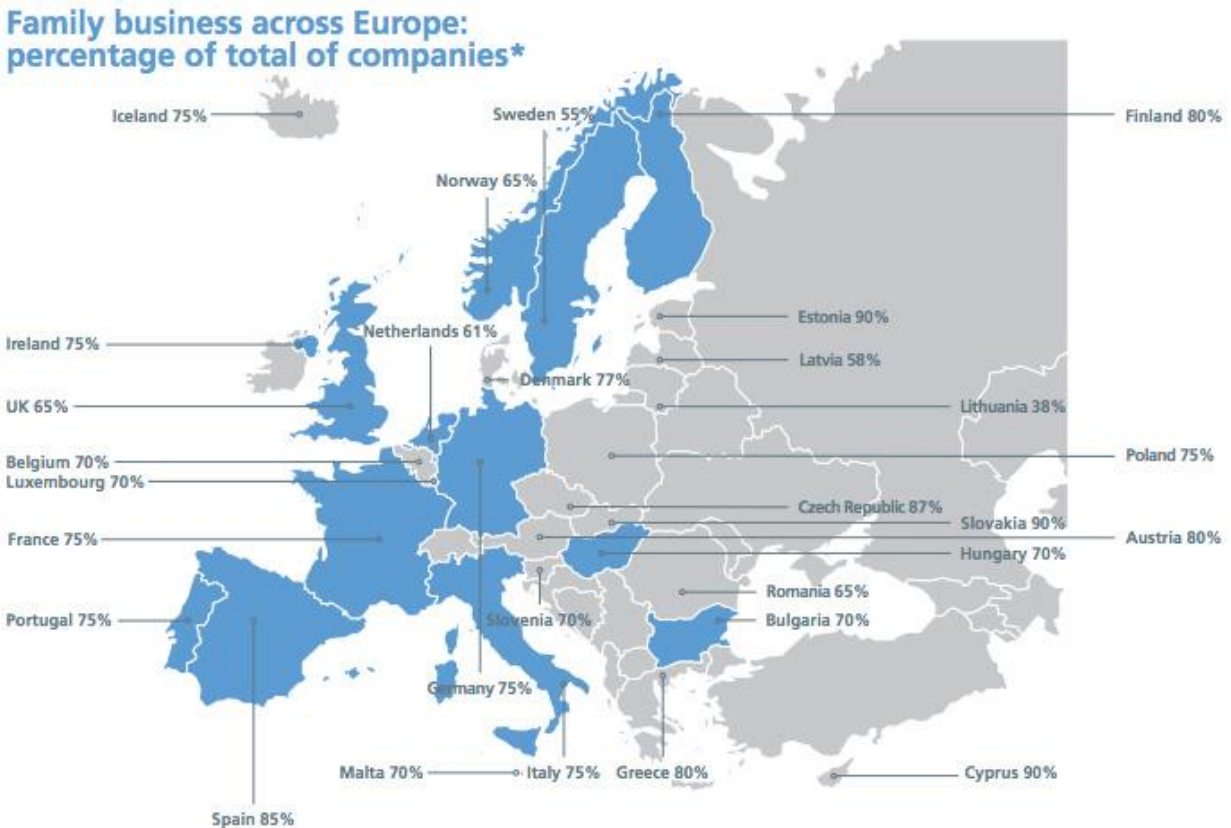
Globally, over one third of the companies on the Standard and Poor's 500 indexes are family owned or controlled, and also one third of the companies on the Fortune 500 are family businesses. Many famous companies such as Ford Motor Company (United States), Wal-Mart Stores, Inc. (United States), Odebrecht S.A. (Brazil), Schwarz Group (Germany), Groupe Auchan S.A. (France), IKEA (Netherlands), Jeronimo Martins SGPS SA (Portugal), NLMK (Novolipetsk Steel) (Russia), Dalian Wanda Group (China), Suntory Holdings Ltd.(Japan), LG Corporation (South Korea), Tata Motors Limited (India) can be considered businesses that are owned or controlled by families (Global Family Business Index, 2017) and, therefore, family businesses.

Based on research of the Forbes 400 richest Americans, 44% of the Forbes 400-member fortunes were derived from being a member of or in association with a family business (Alderson, 2011). Poza (2013) pointed out that the family business has played a pivotal role in economic development in the United States and Latin America. From the study conducted by Ernst and Young (EY), and via the EY Family Business Yearbook (2017), we can estimate the presence of Family Businesses in North America, with 53% of the world's 250 largest family businesses, being located there. About 90% of the companies in North America are family-owned businesses and they create 57% of the United States' GDP and 60% of Canada's GDP. What is more, family businesses employ 57% of North America's workforce (more than 97 million employees), create 70% of all new jobs, and provide 55% of all charitable donations (EY, 2017).

Europe also has a rich history of family businesses, and many of the world's best-known

family businesses are based in that region. Via the EY Family Business Yearbook (2017), we can estimate the presence of family businesses in Europe, with about 33% of the world's 250 largest family businesses being located there. Family businesses make up 85% of all European companies, and create 70% of Europe's GDP. They account for 60% of all jobs on average, which equates to employing more than 144 million employees. Family businesses constitute a substantial part of existing European companies and have a significant role to play in the strength and dynamism of the real economy (EY, 2017). We can clearly see the distribution of Family business across Europe in Figure 1.

Figure 1 Family business across Europe



Source: <http://www.europeanfamilybusinesses.eu>, 2017

In Asia, due to its historical background, traditional culture and other factors, family business has played an important role in the economic development of the region and the country. There are not only a great many family businesses, but they have also monopolized the economic lifeline of some countries and regions. Via the EY Family Business Yearbook (2017), we can estimate the presence of family businesses in Asia-Pacific, with about 7% of the world's 250 largest family

businesses being located in there, and 85% of the companies in Asia-Pacific are family-owned businesses. For example, Japanese family businesses accounted for 95% of all its SMEs, and India's family business pool has reached 75% of its Top 500 companies. In South Korea, Malaysia and Singapore, the 10 biggest families have a 25% share of the total market value.

The data presented above further confirms that family businesses have accounted for half the number of companies formed in many countries and regions in the world, and play a very important role in regional economic development.

Since the reform and the opening-up policy, China's economy has developed very quickly. The appearance of China's fast-growing private economy has injected fresh vitality and added to the rapid development of China's economy. According to the data from the National Bureau of Statistics of China (2013), China's private enterprises have become the largest business group, with private enterprises accounting for more than 85% of the total number of companies in China and over 50% of the GDP. Therefore, the rapid development of the private economy has brought tremendous impetus to the development of China's market economy, and is becoming the main driver of economic growth.

Family businesses are the main body of Chinese private enterprises. This is according to the "Development Report of the Chinese family business" compiled by the Family business Research Group of China Private Economy Research Association (2011), whose survey involved 4614 companies and included 3286 Family businesses. Excluding those enterprises with non-disclosure of personal information and shareholding, family businesses can account for 85.4% of the whole valid private enterprises sample. Thus, since China's reform and opening-up policy, the rapid development and success of private enterprises is mostly reliant on the strength of the family (Chen, 2003).

Therefore, family business as the main body of private enterprises has become a very important economic force in the development process of the modern Chinese market economy. Academic research related to family business shows that it has a greatly significant effect on China's economic development.

From an academic point of view, the main line of strategic management theory research has been to explore what are causes of the differences in the performance of enterprises, and how to maintain competitive advantage in their development environment. And strategic management

scholars have fiercely argued for a long while, about what the source of competitive advantage could be. After many decades of research, our understanding of the source of competitive advantage has gone through several stages, such as "exogenous theory", "endogenous theory", "dynamic internal and external matching". However, the dynamic capability theory has now been universally recognized by the management community.

The competitive advantage exogenous theory, which holds that structural factors at the industry level determine market behavior and then have a significant impact on corporate performance differences, forms the Structure-Conduct-Performance (S-C-P) paradigm of enterprise competitive strategy. Based on that, Porter (1979) put forward the "five forces model", and argues that the success of enterprises comes from two aspects, one is the attractiveness of the industry in which the business is located, and the other is the relative market potential of the enterprises in their industry. This theory takes the market structure as the decisive factor of the competitive advantage of the enterprise, and the analysis focuses on the external environmental factors of the enterprise. While this approach to the theory limits the enterprise's competitive behavior to within the industry, the source of competitive advantage of the enterprise is nevertheless fully focused on the monopoly advantage within it (Porter, 1979). Rumelt (1991) points out that with the rapid acceleration of information interaction and transmission speed, the barriers between different industries are increasingly reduced, and the trend of profit averaging is increasingly strengthened. However, it is difficult using the exogenous view theory to explain a common phenomenon that the performance difference between different enterprises in the same industry is greater than that between different industries, and the limitations of the S-C-P paradigm are becoming more and more obvious (Rumelt, 1991). Based on that, management scholars have gradually shifted the focus of the source of competitive advantage from the industry to within the enterprise itself.

The competitive advantage endogenous theory emphasizes that the internal conditions of the enterprise play a decisive role in gaining a competitive advantage. Wernerfelt (1984) first proposed the "Resource-based view". He argues that the enterprise is a unique combination of tangible or intangible resources and uses a resource-based view instead of the traditional product. Barney (1991) proposed the concept of "strategic resource", which is that sustained competitive advantages stem from valuable, rare, inimitable and non-substitutable (VRIN) resources. In accordance with the "resource-based view", Prahalad and Hamel (1990) proposed the concept of

“the core competence” and emphasized the core competencies that were formed in the integration of resources and operational mechanisms. Thus, based on the VRIN characteristics of the resource and unique integration mechanism, the core competencies become the source of competitive advantage.

With the rapid development of technology, frequent changes in customer preferences and the shortening of the new products’ development cycle, the enterprise living environment has changed dramatically (Marquardt, 2002). The limitations of the "Resource Based View" and "Core Competence" theory are gradually being reflected. Priem and Butler (2001) argue that the resource-based view does not explain how the resources are generated and how they evolve over time. Leonard-Barton (1992) points out that while core competency can promote enterprise innovation, it can also inhibit enterprise innovation and format core rigidity. In the ultra-competitive environment, information flows faster, and the competitive advantage of enterprises that formatted over many years of development is no longer stable. What is more, the emerging new technology will erode the competitive advantage that the enterprise already has. So, enterprises need to be able to adjust, integrate and reconstruct their internal and external organization skills, resources and functions in time.

Teece (1994) argue that dynamic capability is a firm’s ability to integrate, build and reconfigure competences internally and externally, and to respond to rapidly changing environments. Dynamic capability has gradually come to underpin one of the most mainstream theories in how to maintain a competitive advantage in a dynamic environment.

Many scholars have carried out research on and an exploration of the dynamic capability theory, and many studies have mentioned dynamic capabilities as a source of advantage in volatile environments (Teece, Pisano and Shuen, 1997; Winter, 2003). Indeed, measures of social capital might be more strongly correlated with a firm’s performance in volatile environments than in stable environments, and social capital is a necessary condition for the existence of a dynamic capability (Blyler and Coff, 2003).

However, while many studies focus mainly on exploring abstract issues like the connotation, the theoretical framework and other relative issues of the dynamic capability, on a practical level, there are still some deficiencies on how to guide enterprises to obtain and maintain a competitive advantage based on the dynamic capability theoretical framework.

Meanwhile, there are many studies that have proved that social capital can enhance an organization's competitive advantage by virtue of a relationship network (Ou and Hsu, 2015).

Based on the important role that family businesses play in the economy, as mentioned above, it is meaningful to introduce the dynamic capability theoretical framework and concept of social capital into research on the competitive advantage of family businesses.

1.2 Research problem and questions

1.2.1 Research problem

The low survival rate of family businesses. The fact that very few family firms survive beyond the first generation (Birley, 1986) is rather universal and independent of the cultural context or economic/business environment (Lank, 1994). Research suggests that 30 percent of family firms in the United States survive into the second generation of family ownership (Birley, 1986; De Vries, 1993) and approximately 15 percent to 16 percent survive into the third (Morris, Williams, Jeffrey and Avila, 1997). The average life expectancy of family firms is estimated to be twenty-four years, which is also equivalent to the average tenure of their founders (Beckhard and Dyer, 1983). There is also an English saying that most family businesses go from “clogs to clogs in three generations.”

Meanwhile, however, according to a survey conducted by the Research Department of the National Federation of China, the average lifespan of Chinese private enterprises in 1990 was only three to five years, with more than 60% of enterprises going bankrupt or closing down less than 5 years after their establishment. In contrast, the life expectancy of private enterprise in general has gradually increased in recent years. In 2011, it was about nine years. But it is still far from the average lifespan of a Japanese company (the club), which is 35 years (Chinese Family Business Development Report, 2011).

From this, we can see that the average life expectancy of Chinese Private Enterprise is really low in comparison with the worldwide average, and since the bulk of China's private economy is made up of family businesses, this could present a problem. Most major overseas Chinese firms survive only as far as the second generation (Chu and Macmurray, 1993). There is even a popular Chinese saying that the third generation dissipates the family fortune that the first created and which the second helped maintain (Weidenbaum, 1996). So how Chinese family business can

achieve sustainable development is an important issue and a valuable research topic.

With the further expansion of economic globalization, Chinese family business will face a more intense competitive market environment with increasing uncertainty. In order to survive and develop, they must continue to carry out activities with independent innovation and entrepreneurship. *Therefore, a basic and important problem is how can the Chinese family business keep its competitive advantage, achieve sustainable development, and pass it to the next generation?*

1.2.2 Research questions

While theoretical research on the dynamic capability of the family business is mainly focused on the understanding of concept and connotation, there is little in-depth research on the specific dimension and process of dynamic capability in family business.

To cultivate intrinsic dynamic capability, the family business must break the internal rigid path dependence, and promote its restructuring and upgrading.

This research combines the characteristics of Chinese family business, from the perspective of the micro-cycle evolution of dynamic capabilities, to discuss the leading role of social capital at every stage of evolution. And from there, to establish a dynamic capability system for family business. Meanwhile, taking into account the uncertainty of the development environment of family business, it proposes to analyze the nonlinear effect of dynamic capability on competitive advantage at the macro level. The specific research questions are as follows.

1. The construction of a dynamic capability system in the evolution cycle of family business.

To date, scholars have not yet reached a consensus on how to measure the dynamic capability of enterprises (Arend, 2009). What is more, studies that combine family business and dynamic capacities are very few. This is mainly because scholars have so far analyzed the dynamic capability from different angles, dividing it into "ability", "process" and "practice" perspectives. Based on the Teece's (1997) definition, the dynamic capability of firms lies with its managerial and organizational processes, and is shaped by its (specific) asset position, and the paths available to it. By breaking the invalid path dependence, dynamic capabilities can reset the resources and create competitive advantage.

Based on the development process of Chinese family business, this study will summarize the characteristics of path dependence, and explore the evolution of the microscopic strategic path process in path formation, path dependence, and path breaking. Combined with the previous study on the dynamic capability, it will establish a scientific dynamic capabilities system through theoretical derivation, and explain the main meaning of each dimension following the whole process of the beginning - variation - selection - retention and replication.

2. The relation of social capital and dynamic capability in the evolution cycle of family business

When it comes to family business, the founder needs to accumulate or otherwise obtain access to both tangible and intangible resources during the process of creating the new venture (Alvarez and Busenitz, 2001; Barney, 1991; Dierickx and Cool, 1989). As the process of resource accumulation is path dependent and cumulative, entrepreneurs will find that they need to use their social capital within the dynamic environment to accumulate resources (Sirmon and Hitt, 2003).

Although there are many studies based on dynamic capability, the existing literature on dynamic capabilities has not clearly defined a relative link to the social capital. There is, however, a consensus that social capital promises to understand the origin and nature of dynamic capabilities. Blyler and Cuff (2003) argue that social capital is essential for a firm's dynamic capability as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities.

Dynamic capabilities involve adaptation and change because they build, integrate, or reconfigure other resources and capabilities. Still, there is much research that explains how individuals' social capital helps firms to acquire, integrate, recombine, and release resources. While they cannot define the link between social capital and dynamic capability, they can help us to understand how social capital is linked to each element of resource manipulation.

Therefore, this study will be based on the dynamic capability system proposed in the micro-evolution of corporate strategic path, combined with the many conditions that may impact the enterprise strategy. It will also be an in-depth study of the role social capital plays in all aspects of the dynamic capacity system in family business. We argue that social capital is essential for the acquisition, integration, and release of resources at the core of a dynamic capability. Thus, social capital may be one of the dynamic capabilities in family business.

3. The interaction between succession, social capital and dynamic capability.

A family business is an organization that will be passed on to the next generation of that family, to manage and control (Ward, 1987). So, the succession process is one of the most critical issues in the continued life of a family business.

Also, succession is a unique characteristic of family businesses, and it is defined as a dynamic process involving the transfer of both the management and ownership of a family firm to the next generation (Cadieux, Lorrain and Hugron, 2002).

So, in order to achieve the sustainable development of the family business, it is very important to study how to maintain and develop both social capital and dynamic capability during the succession process.

1.3 Research value and expected contribution

The research of family business is a topic with modern significance (Chu, 2000), and it is also a field in which more work is needed in order for it to push forward. The policies of reform and opening-up promoted the growth of family businesses in China, and nowadays with the policy implemented more widely, family firms need to be more vigorous in the future. From an academic perspective, these policies enriched and developed the enterprise theory revealed in research on family business, and the issue in family business development in economics, and it strengthened the micro basis of economic research. So, the research on Chinese family business in the transition period has very vital significance in both theory and practice.

- (1) This research will extend and enrich the research theory of social capital, dynamic capability and family business.
- (2) The study of Chinese family businesses helps private economic development. The growth of family business continues injecting new vitality into China's economic development and has important practical significance.

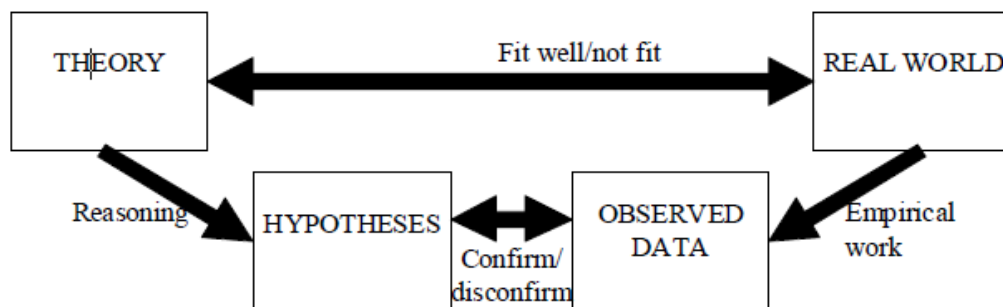
1.4 Epistemology

This study follows a post-positivist approach, an approach that has been gaining supporters over the past decade (Trochim and Donnelly, 2006). Post-positivism has convergent and divergent

aspects with positivism. Positivism holds that the goal of knowledge is to describe the phenomenon experienced in a rigorous, non-subjective way. For positivists, science is the way to understand the world and to focus on what researchers can directly observe and measure (Bryant and Giddens, 1997). Deductive reasoning is used to postulate theories and define theoretical hypotheses that will then be tested empirically. Based on a study's empirical results, scientists acknowledge whether a theory fits well with the facts or whether there is a need to revise that theory to better predict reality.

Post-positivism also uses theory to develop hypotheses. Adopting a top-down perspective, it uses the hypothetical-deductive method which employs theory about a specific research area to define research hypotheses (Clark and Szivas, 2000). As in positivism, the specified hypotheses are then tested empirically. As a result, the observed data confirms, or not, the hypotheses developed (Figure 2).

Figure 2 Hypothetical-deductive Method



Source: Clark and Szivas (2000)

1.5 Structure of the research

This research will be written up in five chapters, and they are:

Chapter 1: Introduction.

This chapter introduces the research background. Based on the review of the background, an interesting economic phenomenon appears. This is that the average life expectancy of a Chinese family business is very low compared with the world average. Thus, in order to find the key to improving Chinese family businesses' competitive advantage and extend their life expectancy, we introduce the theory of dynamic capability and social capital into this research.

Chapter 2: literature review.

This chapter has four parts and provides an extensive review of family business - the resource-

based view and dynamic capability, the social capital and the other related research. With regard to family business, we review what defines it, confirm the research object of this study, and introduce the Chinese family business and the research about succession. For RBV and dynamic capability, we review the theory of RBV, dynamic capability, and the research of dynamic capability in family businesses. For social capital, we review the definitions of social capital, the dimension and measurements of social capital, the research of social capital and dynamic capability, family business and social capital, and social capital and Guanxi in China. Finally, there is the summary.

Chapter 3: Research design and methodology.

In this chapter, the methodological design of these studies will be examined, compared and discussed to assist the conceptual framework development and research design of this thesis. This chapter reviews the methodologies of case study and content analysis. Although the mixed method design is more complex and time-consuming compared with single-method design, it is more appropriate to address a holistic understanding of family business. Moreover, both case study and content analysis methodology are frequently used in family business research, as has been reviewed and discussed.

Chapter 4: Field work.

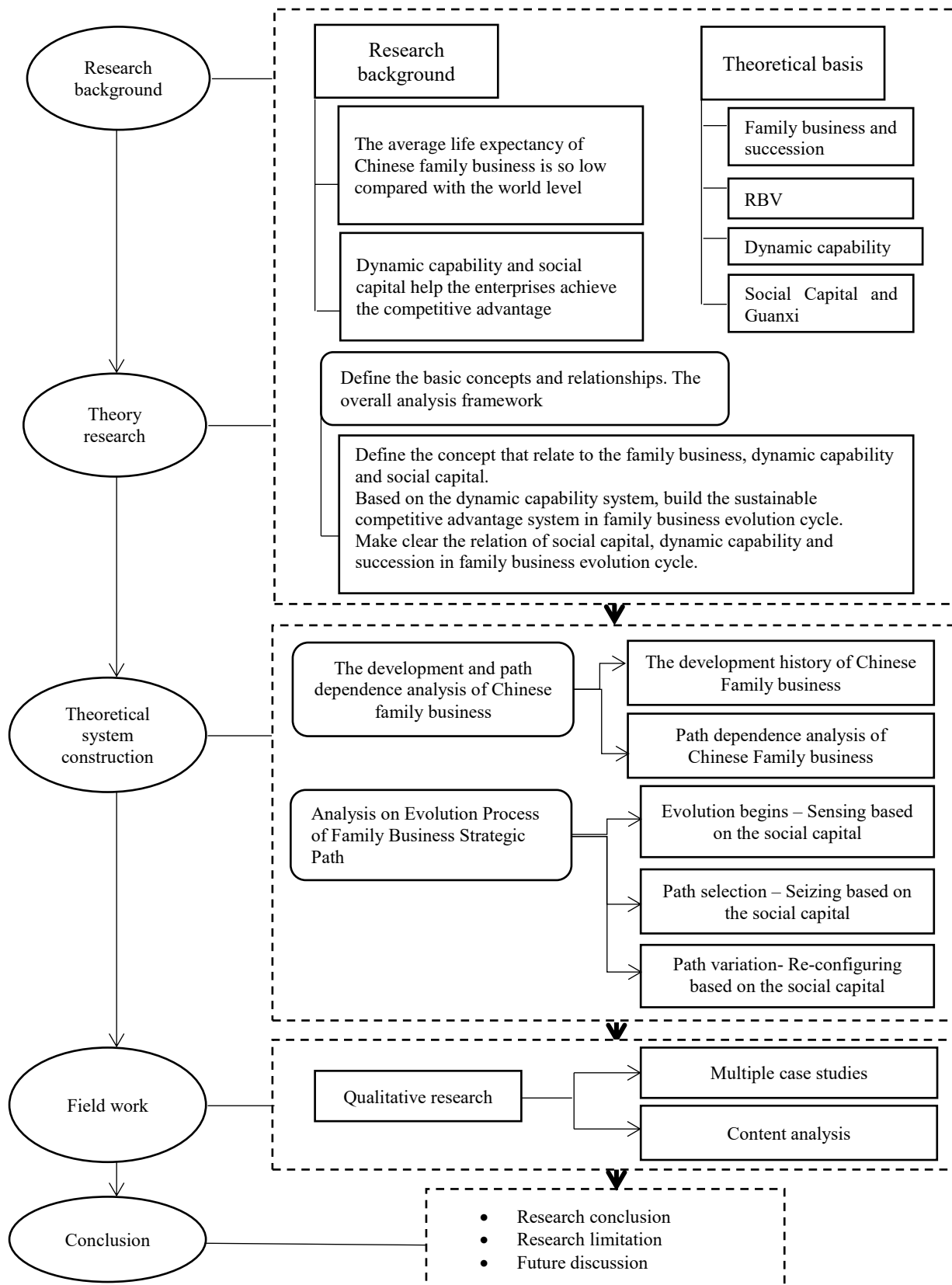
This chapter will present, analyze and discuss the findings of the multiple case study and content analysis. Seventeen single case analyses and cross case analyses will be conducted and discussed. The result in this chapter provides additional evidence to support and validate the findings from the theoretical model, and explains how the unique mechanisms of the social capital, dynamic capability and succession influence the sustainable development of Chinese family business.

Chapter 5: Conclusions.

This chapter will present the conclusions of the study, as well as point out the limitations and a future direction for research.

What is more, this study mainly adheres to the “theoretical system and framework construction - empirical research - conclusions and recommendations”, as shown in Figure 3.

Figure 3 Structure of the research



Chapter 2: Literature Review

2.1 Introduction

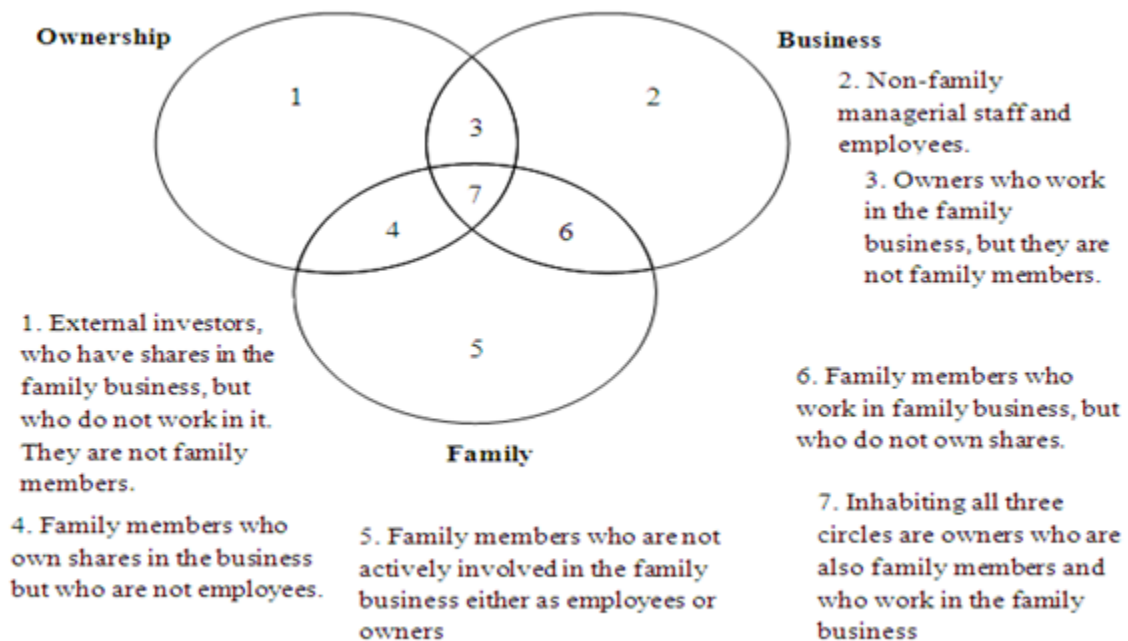
This chapter mainly does the work of the literature review, and it will be divided into 4 topics: family business, RBV and dynamic capabilities, social capital, and summary. Through reviewing the definition of concepts and the research progress of these theories, we can build a solid theoretical foundation for this thesis.

2.2 Family Business

2.2.1 The definition of family business

The Three Circle Model, as shown in Figure 4, is generally accepted as the standard model for family businesses and it includes the family, the business and ownership as the three main circle components (Gersick, 1998).

Figure 4 The three-circle model of family business



Source: Tagiuri and John (1996)

Researchers have debated for a long time precisely what the definition of family business is, with the result being that there are no fewer than twenty definitions of family business.

From the ownership and management perspective, Chandler (1977) defined family business as the “Enterprise's founder and its closest partner (and family) hold most of the equity, they and managers maintain close personal relationship, and keep the decision-making power, especially in the financial policy, resource allocation and high-level personnel selection.” Meanwhile, Leach (1990) believes it is a company in which more than fifty percent of the voting shares are controlled by one family, and/or a single-family group effectively controls the firm, and/or a significant proportion of the firm's senior management are members from the same family. Upton (1993) characterized family businesses as businesses where the family ownership or control has a significant influence on the decision-making processes in an enterprise. Sun (1995) points out that an enterprise is a family business when a family, or numbers of families with a closely allied relationship own all or part of the enterprise, and control an enterprise’s operating rights directly or indirectly. The direct control of the right to operate refers to the family members personally served by and in charge of the enterprise, the family or the family alliance may have more than half the shares of the enterprise. Indirect control is when business executives are professional managers, and the main owner of the family or family alliances indirectly control the operation of the business through the professional managers. Litz's (1997) definition is most useful (Reid, Dunn, Cromie and Adams, 1999), and he argues that a family business is a business in which ownership and management are concentrated in a family unit and where individuals within the firm seek to perpetuate or increase the degree of family involvement. Yeh (1999) thinks that family businesses need to meet three conditions: first, the core members of the family members hold the post of chairman or general manager of the enterprise; second, the equity controlled by the owning family should reach a certain scale, that is more than a certain critical hold rate; third, the number of the core members of the family, who are directors on the board, should be more than half of the total seats, and have absolute voting control. Chu (2004) defines family business from the family and its extended relational network, and Chinese family business is a combination of a family relational contract and an elements contract in which family assets dominate. Family business is where the family members maintain ownership of the enterprise and control power in a continually distributed condition. This includes a form of enterprise in which ownership and control power are inseparable and tightly held by family members, and the family members maintain critical control

of the enterprise's assets, operation and management after the enterprise is listed. Chu (2004) divided family business into five forms: single proprietorship; pure family (home) system; pan family system; family holding shares in the company; and family members maintaining critical control of the listed company's assets, operation and management.

From the perspectives of succession and kinship, Carsrud (1994) points out that family business is an enterprise in which closely-held firm ownership and policy making are dominated by members of an “emotional kinship group”. Wang (2001) thinks that a family business is an economic organization where kinship is the link, and where pursuing benefit for the family is the primary objective. With actually controlling rights as the basic means, the family is in first place as the primary principle, and the enterprise as the organization form. Li (2003) believes that a family business is an economic organization that is based on marriage and kinship, and the sources of enterprise capital and accumulation or the management of the enterprise are built on the family's background. Ye (2004) argues that in the family business, the source of capital accumulation or enterprise business is built on the family's background or the leadership inherited within the family, and the corporate existence of the operation period, through marriage and kinship ties. Ibrahim and Ellis (2004) hold that the family business needs to meet the following conditions: at least fifty-one percent of the business must be owned by a single family; moreover, at least two family members must be involved in the management or operational activities of the business, and the transfer of leadership to younger generation family members is anticipated.

From the perspective of vision and culture, Chen (1998) holds that family economic organization is the informal organization formed by the informal institutional arrangements. Family business often involves the extended family, and although it carries out certain economic functions, its structure and operational mode are the same as within the family. Chua, Chrisman and Sharma (1999) argue that a family business is “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a few families in a manner that is potentially sustainable across generations of the family or families”. Evidently, the relationship between the firm and the family does create a special entrepreneurial culture and philosophy which is unique to family business (Feltham, 2005).

In summary, there appears to be total agreement that a business owned and managed by a nuclear family is a family business. Generally speaking, the family must hold ownership of the

family business with an absolute or relative advantage and, at the same time, family and family members must have a certain degree of involvement in the business management process. From the aforementioned definitions, we can discover the key elements in defining family business (as shown in Table 1) and they are: ownership, operation and management, succession, kinship, vision, philosophy and culture.

Table 1 Elements in defining family business

Scholar	Ownership	Management	Succession	Kinship	Vision	Philosophy/ Culture
Chandler (1977)	√	√				
Leach (1990)	√	√				
Upton (1993)	√	√				
Carsrud (1994)	√	√		√		
Sun (1995)	√	√				
Litz (1997)	√	√				
Chen (1998)	√	√			√	√
Yeh (1999)	√	√				
Chua (1999)	√	√	√		√	
Wang (2002)	√	√		√		
Li (2003)	√	√		√		
Chu (2004)	√	√				
Ye (2004)	√	√	√	√		
Ibrahim and Ellis (2004)	√	√	√			
Feltham (2005)	√	√				√

Source: reorganized by author

From all of these many definitions of a family business, we chose to use the definition put forward by Litz (1997), a firm is considered a family business when its ownership and management are concentrated within a family unit, and to the extent that its members strive to achieve and/or maintain intra-organizational family-based relatedness. This definition is effective for this research because it considers family involvement in the firm and the intention to retain such involvement. As our analysis concentrates on the interactions between the family and the organization, identifying the importance of the family social group in the firm is important.

2.2.2 Family business in China

The concept “family business” can be divided into two parts. One is the “family”, and the other is “business”. “Business” is related to the openness, efficiency and value of an economy. Since the “family” is born with certain closed characteristics, contact between the outside environment and within the family is difficult. Therefore, the differences in the definitions of family business often depend on understanding each particular family. This is because the degree of ownership concentration is different, coupled with differences in company law, in different countries or regions.

Family business in China is very different from the western family enterprises. First, it is important to define how many shares the family should own. For example, in the western developed countries, the shares of some big companies are much more dispersed. Although family members may have less than 10% of the shares, a company can nevertheless be defined as a family business from the perspective of capital ownership. Compared with western countries, the number of shares owned by the family members of a Chinese family business is much higher. In the late 1990s, for example, the Wang Yongqing family held up to 30.25% of the Formosa Plastics Corp shares, the Li Jiacheng family held 34.96% of the Yangtze River Industrial shares, the Li Zhaoji family held 68.23% of the Henderson real estate equity shares (Chu, 2004).

Second, family business also depends on the internal integration of consanguinity and the maintenance of affinity relationship. “Home” has a very important place in the Chinese mind. The concept of “family culture” is important in the daily life of the Chinese and other Chinese-speaking regions. Sun (1995) pointed out that whether in politics or at the level of enterprise, family culture and human relationship play an important role. In the concentration of power in the process,

Chinese social organization and social behavior are all heavily influenced by family culture and human relationships. Wang (1995) pointed out that family culture is perpetuated at the most profound cultural level, and still is the core element that affects the behavior of Chinese people. There are obvious differences between family members and non-family members. The family is a complete property unit, and is the ultimate fate of the emotional ground. “Family culture” reflects the outstanding characteristics of the traditional Chinese culture, and it has a significant influence on the organization and management behavior of the enterprise. It is the social psychological accumulation of family cultural tradition over several thousand years (Chu, 2000). This mode of Chinese family relations, which is heavily dominated by “family culture”, has also naturally been transplanted to Chinese enterprises, and has always accompanied and influenced their development. Redding (2000) thinks that the Chinese family business is essentially the product of family culture. The implementation of patriarchal leadership or authoritarian leadership is a unique style, with relatives of the owner being responsible for operation and management, and firmly dedicated to maintaining an impartial attitude. Throughout the history of China, its Confucian culture has been most important. The “family culture” is the core of Confucianism and it occupies an important position in Confucian culture. “Family culture” is the cultural succession and is the cultural foundation of the Chinese family business (Han and Zheng, 2004). “Family culture” embodies the salient features of the traditional Chinese culture, in that its pursuit of love among the whole family, and emphasis on “harmony” and “friendliness” are conducive to business success. In Chinese traditional culture, taking care of the young is the most prominent feature. The relationship the younger generation has with the generations above is often one of absolute obedience, with children not wanting to contradict their elders. This relationship pattern carries over into the management mode in Chinese family business. Managers are seen as elders, and the older generation, just like managers throughout the enterprise, have a strong influence. At the same time, in the family business, the management team is mostly sourced from within the family from the wife, husband, sons or brothers, sisters and other relatives. This may also lead to confusion and disorder when there is family conflict caused by incompetent members of management, low tolerance levels, and ultra-virus. (Fu and Li, 2011).

Third, in Chinese family business, enterprise culture is more a manifestation of Chinese traditional family culture. Chinese traditional family culture has been generalized to each social level outside the family. Family culture has become the rule of thinking and behavior of the

Chinese and led to the forms of property rights and organization of Chinese family business. “Family culture” emphasizes a kind of cohesion and mutual support. This cohesion promoted the family enterprises in China and has a strong centripetal force based on trust for each other. It has the same values, thereby reducing the transaction costs within the organization. Japanese-American scholar Fukuyama (1995) considered that, culture can be divided into high-trust culture and low-trust culture. While high-trust culture refers to trust more than blood relationships, low-trust culture is based on blood ties. At the same time, he pointed out that China, France and the southern area of Italy are proponents of low-trust culture. In the low-trust culture, people are more confident with their own blood, and believe the “family” within their circle. Therefore, family businesses in China will not hire “outsiders” for important positions as the enterprise is exclusively for the family.

Fourth, in the Chinese family business, the shared vision, culture and values of family members and staff form the personification of transactions based on the network. The common value orientation among family members reduces the principal-agent cost and supervision cost of the enterprise. When there is loyalty and trust among family members, then the transaction cost is saved and the resources can be channeled into the enterprise. The family business can become a more efficient economic organization because of the supervision and incentive mechanisms (Xiang, 2002). The practice has proved that the family business is an inevitable transition to a professionally managed enterprise. The essence of this shift is the importance of family business and the integration of the social capital, the family, and social relations, with the formation of network performance in the enterprise being a form of social capital (Chu, 2000; Zhang, 2009). If the growth of the family business is to continue with the process of integration of social capital, it requires the family business to break through the closed family capital resources and family management. Furthermore, it must continue to absorb external social capital and effective integration of human capital in order to establish a wide range of commercial network or business alliances, and shape characteristics of the core competitiveness of the enterprise culture (Chu, 2003).

In China, even in most non-family enterprises, the Chinese family culture atmosphere can also be found. For a long time now, familism has been considered the core of interpersonal relationships in traditional Chinese society, and the development trend of Chinese familism presents a kind of “generalization”. Although the Chinese focus is mainly on the family's

experience of life, way of thinking, and behaviors, custom and tradition nevertheless exert a strong influence. So, they participate in activities outside the family organization because it not just the family, or family members who provide a set of rules, but rather it is generalized to all aspects of social and economic life (Chu, 2004). Thus, Chinese family cultural rules, including family ethics, family members' behavior, roles, relationships, family system framework, family psychological recognition and acceptance, generally extend beyond family relationships and family organization. They become the core of Chinese social life, economic life and cultural life, and even a leading factor in political life (Yang, 1998). Community, outside the family, including enterprises or the state can be regarded as a "family". The familism tendency is manifested in two aspects, with one being the "extended family" range. The first is that the family is no longer confined in the narrow sense to a blood relationship within the family circle, but extended to a "five relation culture", which is the basis for the so-called kinship of geographical, belief relationship, industry margin, and margin. In other words, it refers to the social relationship between clan relatives, neighborhood, religious belief, peer classmates and material media as the five ties (Peng, 2001). The second aspect of the familism tendency is the influence and scope of the family culture gradually extended to the family, such as the operating rules, and what family ethics in the family business development process will be shown (Xiang, 2002). Therefore, the family culture rules are the prominent features of Chinese culture, and they are also the important features of Chinese family business that are different from western family business (Chu, 2004).

2.2.3 Succession

Ward (1987) defines a family business as one that will be passed on for the family's next generation to manage and control. So, the succession process is one of the most critical issues in the continued life of a family business.

2.2.3.1 About succession

Succession is defined as a dynamic process involving the transfer of both the management and ownership of a family firm to the next generation (Cadieux, Lorrain, and Hugron, 2002). But succession problems often result in less than optimal solutions, placing the fortunes of the firm in danger (Mehrotra, Morck, Shim, and Wiwattanakantang, 2011; Mitchell, Hart, Valcea, and

Townsend, 2009).

Family businesses are often inherited by families' offspring. Although the need to pass the reins of business to professional managers is generally recognized, especially when there is no suitably qualified family member, successors to most family businesses continue to be the families' offspring (Kirby and Lee, 1996). Sometimes, this takes place regardless of the ability of these successors to contribute to the businesses (De Vries, 1993).

Family businesses differ from non-family businesses in that successors typically enter the family firm with a rich history of experience with their employers. The successors are assumed to be well known before they take any position in the company and their actions may be rooted in a long-standing set of family behavioral patterns (Eddleston and Kidwell, 2012). In family business studies, scholars view succession as vital to the survival of the firm (Rubenson and Gupta, 1997) and claim that family involvement with its emotions and non-business concerns differentiates succession in family business from succession in publicly owned firms (Sharma, Chrisman, and Chua, 2003). Research shows that most family business owners want to pass their businesses on to the next generation of their families and about 86 percent of them expect to do so (Mass Mutual, 2007).

According to the Chinese family business Succession report (2015), while most family business owners hope that their children will inherit the enterprise, the second generation does not necessarily have high willingness to take it over. This may primarily be because the first generation of family business is mostly in traditional industry and the second generation lacks related experience, or may be interested in other industries. And besides, the management philosophy of the second generation may be quite different from their parents or other first-generation founders. So, it is that many Chinese family businesses are now facing the challenges of succession.

2.2.3.2 Stages of Succession

The succession in family business is a more lengthy process than in the case of a change in management and ownership (Handler, 1994), unless circumscribed by early or unanticipated death or disability of the incumbent or successors. Family business scholars have hypothesized various models concerning the process of succession (Churchill and Hatten, 1987; Handler, 1990; Longenecker and Schoen, 1978).

Longenecker and Schoen (1978) proposed a seven-step process of succession that begins with childhood and is highlighted by the successor's entry into the family business at a lower level of management, with the ascension of the successor to the leadership of the firm occurring later. Successors are prepared or groomed for many years to accept their role of responsibility in the family firm. The proposed framework represents a model of father-son succession involving seven stages: pre-business, introductory, introductory-functional, functional, advanced functional, early succession and mature succession, as shown in Table 2.

Table 2 Proposed framework of analysis- stages of father-son succession

1	Pre-business	Successor may be aware of some facets of the organization or industry. Orientation of successor by family members, however, is unplanned or passive.
2	Introductory	Successor may be exposed by family members to jargon, organizational members, and environmental parties prior to part-time employment in firm.
3	Introductory-functional	Successor works as a part-time employee in an organization. Gradually, the work becomes more difficult and complex. Includes education and work as a full-time employee in another organization
4	Functional	Successor enters organization as fulltime employee includes first and all subsequent non-managerial jobs.
5	Advanced functional	Successor assumes a managerial position. Includes all supervisory positions prior to becoming the president.
6	Early succession	Successor assumes the presidency. Includes time the successor needs to become the leader of the organization or more than the nominal head of the organization.
7	Mature succession	Successor becomes the factual leader of the organization.

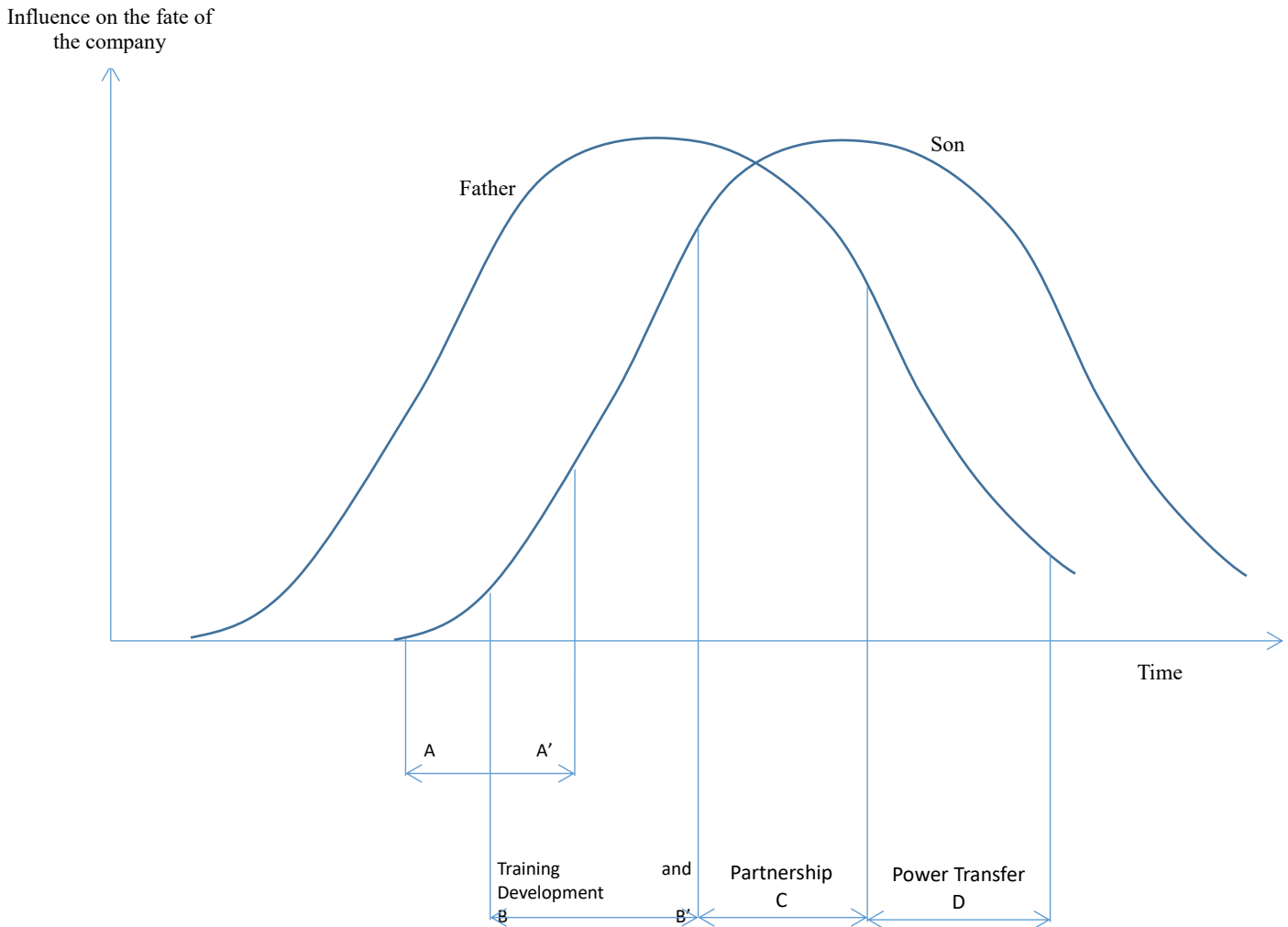
Source: Longenecker and Schoen (1978).

Churchill and Hatten (1987) set out the life cycles of the family business generations from the perspective of succession as shown in Figure 5. It involves four stages: stage A, Owner-

Manager, obviously links to research into entrepreneurship and business growth; stage B links to the literature on education and training, human resource management, developmental psychology and, more practically, executive search; stage C focuses on partnership which is a widely used organizational form of both small companies and very large professional firms; and stage D concerns the ultimate transfer of management power that follows or precedes changes in ownership. Mergers or acquisitions, LBOs by inside managers or outsider investors, or changes in the stakeholder mix—for example, through the sale of some ownership to raise capital — all affect strategic choices and the objectives of the enterprise.

Handler (1990) describes succession as a four-stage transition that occurs over the course of the successor's career. He favored a four-stage model, and describes the process of succession as a mutual role adjustment between the members of the incumbent and successor generations. This process is described as a slow, informal role adjustment, involving an evolution in responsibility and decision-making authority for the successor (from helper, to manager, to leader), with a corresponding decline in authority for the incumbent. The incumbent must relinquish power, and the successor must demonstrate the ability and desire to assume control of the firm.

Figure 5 Life Cycles of the Generations



Source: Churchill and Hatten (1987)

Cater and Kidwell (2014) proposed a stages model of successor group development in family firms, identifying the roles of the incumbent family leader and the successors, as shown in table 3. In Stage 1, the incumbent begins planning for retirement and searches for possible successors, with the successors being identified as candidates. In Stage 2, the incumbent assesses possible successors and the successors enter the business, learn to manage, and may compete with each other. In Stage 3, the incumbent chooses the successor group and reduces his or her leadership role and the successors are identified and chosen. In Stage 4, the incumbent stands down from company leadership by retirement or death and the successors operate as a leadership group.

Table 3 Stages of successor group development in family firms

Stage	Characteristic
Stage 1	Begins planning for retirement and searches for possible successors, while the successors are identified as candidates.
Stage 2	Assesses possible successors and the successors enter the business, learn to manage, and may compete with each other
Stage 3	Chooses the successor group and reduces his or her leadership role and the successors are identified and chosen.
Stage 4	Stands down from company leadership by retirement or death and the successors operate as a leadership group.

Source: Cater and Kidwell (2014)

2.2.3.3 Related research of family business succession

We can group the many studies on family business succession according to three perspectives.

From the management and ownership perspective, Ward (1987) defines a family business as a company that will be passed on for the family's next generation to manage and control. Also, some scholars hold that succession is a dynamic process involving the transfer of both the management and ownership of a family firm to the next generation (Cadieux, Lorrain, and Hugron, 2002).

With regard to knowledge, some scholars hold that the profitability of family businesses often depends on the extent of idiosyncratic knowledge possessed by the heads of their businesses (Barach, 1988). Such knowledge or assets include important personal business contacts and networks (Bruderl and Preisendorfer, 1998), the ability to garner the cooperation of the firm's workforce, and knowledge about the local conditions (Pollack, 1985) and the internal operations of the family business (Nooteboom, 1993), all of which may be crucial to the firm's performance. Therefore, it is important for a chosen successor to acquire such knowledge through exposure to the idiosyncrasies of the firm (Barach, 1988) and through working in all the major departments of the firm, just like the other employees (Neubauer and Lank, 2016). Through these processes, a successor will also gain credibility and be accepted by the key stakeholders of the family business

(Osborne, 1991).

With regard to social capital, some scholars hold that with long-term continuity goals, which is the case of family firms, realizing the value of external social capital requires that it is effectively transferred and managed (Steier, 2001). Entrepreneurs and the organizations that the founder creates are embedded in a social context (Granovetter, 1973). A firm's survival and success often depend on an entrepreneur's ability to establish a network of supportive relationships. Understanding the dynamics of a firm's success requires an understanding of: (a) the assets residing in relationships, and (b) the mechanisms by which these assets are maintained and transferred. Besides, entrepreneurs often employ a personal network of long-standing relations with trusted family members, colleagues, accountants, customers, local politicians, suppliers or the bank (Nooteboom, 1993). These networks may be an entrepreneur's major asset (Bruderl and Preisendorfer, 1998).

2.3 RBV and dynamic capability

Understanding and explaining the source of competitive advantage of enterprises has always been one of the central issues in the study of the strategic management of enterprises. Here we will review the Resource-Based View (RBV) and dynamic capability theory, which are two classic theories of the strategic management of enterprises.

2.3.1 Resource based view (RBV)

The core research topic of the Resource-Based View (RBV) is why are enterprises different, and how do enterprises continue to obtain and maintain competitive advantages (Barney, 1996). RBV focuses on the internal structure of enterprises, carries out research on the sources and sustainability of the competitive advantage, and describes the enterprise as a collection of resources and capabilities.

The effect that resource heterogeneity brings to the performance was first argued by Penrose (1959). She believed that "Enterprise is not only a management unit, but also a collection of productive resources. Enterprise is idiosyncratic based on the heterogeneous resources that the enterprise has, and the enterprise resources influence the performance of the enterprise".

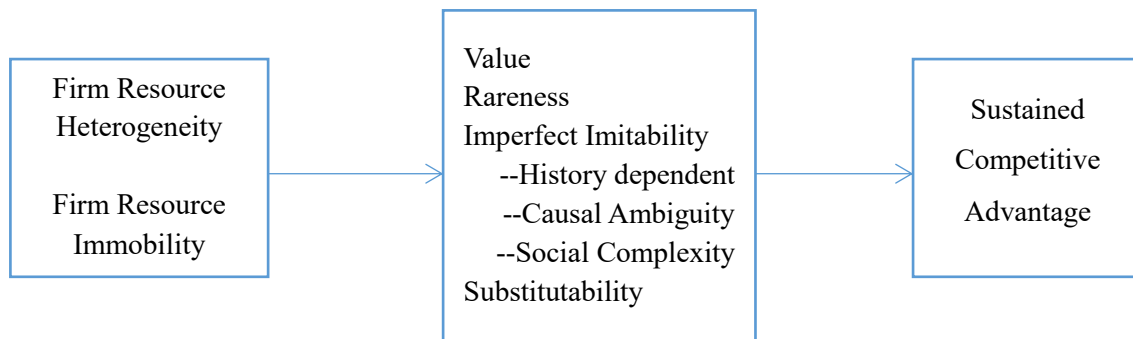
Wernerfelt (1984) expressed views similar to those of Penrose, and that brought the resource-

based theory to the forefront. Based on the hypothesis that firms are heterogeneous, his article characterizes different sustainable resources, suggests that optimal competitive strategies are based on these resources, and describes how current resources can be used to develop new ones. Wernerfelt thought that to evaluate an enterprise based on a resource leads to a new perspective, which is different from the traditional point of view.

Later, many researchers conducted deeper studies and discussed what the most important resource for an enterprise is, or which characteristic of the resource determines the sustainable competitive advantage of the enterprise.

Barney (1991) presented a more concrete and comprehensive framework (Figure 6) to identify the characteristics of a firm's resources that are required in order to generate sustainable competitive advantage. Barney (1994) holds that the key to the RBV is that sustained competitive advantage can be achieved by applying resources and capabilities when these are valuable, rare, inimitable, and non-substitutable (VRIN), as well as when there is an appropriate organization in place (O). These resources and capabilities can be viewed as bundles of tangible and intangible assets, involving a firm's management skills, its organizational processes and routines, and the information and knowledge it controls (Barney, 2001).

Figure 6 The relationship between resource heterogeneity and immobility, value, rareness, imperfect imitability and substitutability, and sustained competitive advantage



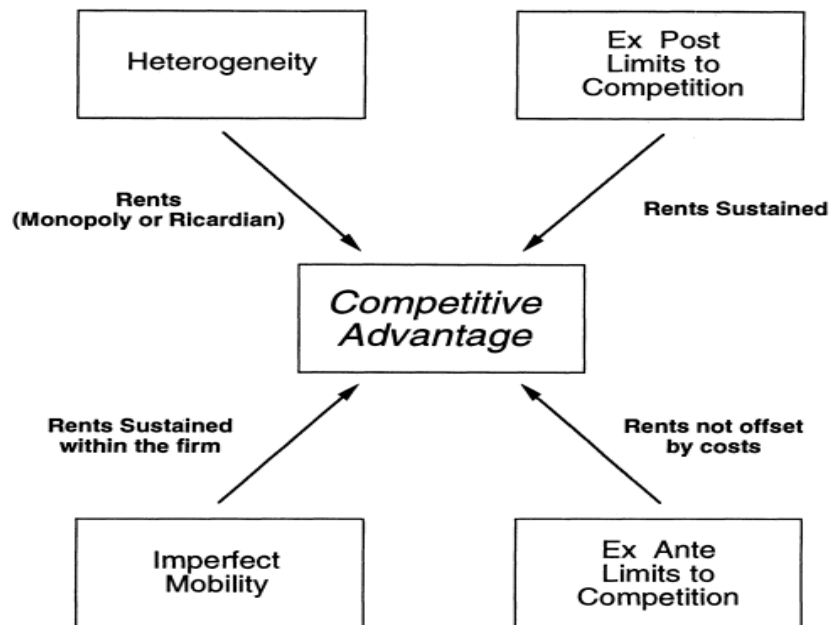
Source: Barney (1991)

With recourse to the resource-based view, many scholars looked for which kind of resources could lead to competitive advantage. Fiol (1991) regarded the management of the organization culture cognition process as the most important competitive advantage resource in industrial enterprises. Hall (1993) identified all intangible resources, and argued that these intangible

resources give an enterprise heterogeneous abilities that produce sustainable competitive advantage.

Peteraf (1993) elucidated the underlying economics of the resource-based view of competitive advantage and integrated existing perspectives into a parsimonious model of resources and firms' performance (Figure 7). He argued that to achieve the sustained competitive advantage, four conditions had to be met. First, an enterprise can get rent by relying on resource heterogeneity, which creates Ricardian or monopoly rents. Second, an enterprise can get high quality resources with the cost which is less than the real rent cost, and by relying on permitting competition. Ex post limits to competition prevent the rents from being competed away. Third, the rent will remain in the enterprise, relying on the incomplete liquidity of the resource. Imperfect factor mobility ensures that valuable factors remain with the firm and that the rents are shared. Fourth, keeping the rent is dependent on the subsequent restriction of resources competition. Ex ante limits to competition keep costs from offsetting the rents (Peteraf, 1993).

Figure 7 The cornerstones of competitive advantage



Source: Peteraf (1993)

Many other researchers have conducted more in-depth studies and discussions on the RBV from different perspectives. Grant (1991) holds that the resources and abilities of enterprise are the core problems and should be considered when making enterprise strategy. An enterprise needs to

design the strategy that can maximize its unique characteristics. However, resource and ability, which decide the sustainable competitive advantage of an enterprise, involve durability, transferability, and reproduce-ability. Amit and Schoemaker (1993) argue that given the incompleteness of the resources market and the randomness of management decision-making on resources development and configuration, there exist some differences in the control of resources and abilities, and these differences can be the source of sustained economic rent. Conner and Prahalad (1996) posited that in the theoretical framework of RBV, enterprise theory is based on knowledge and that, therefore, with regard to the process of gaining a competitive advantage, knowledge is more important than any opportunistic determinant.

Some research still holds that the RBV community has clung to an inappropriately narrow neo-classical economic rationality thereby diminishing its opportunities for progress, and argues that if the RBV were moved into a genuinely dynamic framework, it would provide a more viable theory of competitive advantage (Jeroen and Spender, 2010).

These studies are shown in table 4 as follows.

Table 4 Research on the resource-based view

Scholars (year)	The main point of the research
Penrose (1959)	Enterprise is a collection of productive resources, and the resources of the enterprise influence its performance.
Wernerfelt (1984)	Optimal competitive strategies are based on the sustainable different resources
Dierickx and Cool (1989)	The key resource of enterprise is relying on accumulation, not buying in the strategic market. The persistent position of the enterprise's assets is dependent on the level of difficulty replaced or imitated.
Barney (1991,1994)	Valuable, rare, inimitable, and non-substitutable (VRIN) resources and capabilities, plus appropriate organization in place (O), sustained competitive advantage can be achieved.
Fiol (1991)	Management of the organization's culture cognition process is the most important resource with regard to competitive advantage in industry enterprises.

Scholars (year)	The main point of the research
Grant (1991)	Durability, transfer-ability and ability to reproduce can help the enterprise to achieve a sustainable competitive advantage
Amit and Schoemaker (1993)	The differences in the control of resources and abilities can be the source of sustained economic rent.
Hall (1993)	Intangible resources make the heterogeneous abilities that produce sustainable competitive advantage.
Peteraf (1993)	Superior resources (heterogeneity within an industry), ex post limits to competition, imperfect resource mobility, and ex-ante limits to competition all bring competitive advantage
Conner and Prahalad (1996)	According to the RBV, knowledge is the key to gaining a competitive advantage
Jeroen and Spender (2010)	The RBV should be moved into a genuinely dynamic framework

Source: edit by author

According to the resource-based view, enterprises have different tangible and intangible resources, and these resources can be transformed into a unique ability. These resources cannot flow among enterprises and are hard to copy. Thus, these unique resources and abilities are the sources that enable enterprise to maintain a lasting competitive advantage. However, in a dramatically changing environment, the resource-based view should be combined with a dynamic framework.

2.3.2 Dynamic capability

The fundamental question in the field of strategic management is how firms achieve and sustain a competitive advantage. This has led to there being many theories about the sources of competitive advantage.

The RBV focuses on specific resources, and highlights the fact that competitive advantage is based on valuable, rare, inimitable resources and organization (VRIO) (Barney, 1991). Meanwhile, dynamic capabilities (DC) relate to the firm's ability to integrate, build, and reconfigure internal

and external competences to address rapidly changing environments. Cardeal and Antonio (2012) hold that the “O” in VRIO refers to dynamic capability, and dynamic capabilities are the “organization” needed to transform bundles of resources into competitive advantage. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage in given path dependencies and market positions (Leonard-Barton, 1992). However, the resource-based view does not explain how the resources are generated and how they evolve over time (Priem and Butler, 2001). The DC view, on the other hand, explores how the firms’ resources and capabilities evolve over time and provides a better understanding of how competitive advantage is achieved and maintained (Ambrosini and Bowman, 2009).

The importance of the Dynamic capability concept lies in the fact that it relates to the adaptive capacity of the firm in a dynamic environment, and mainly seeks to answer the question about how organizations achieve and sustain competitive advantage in a changing environment (Dosi, Nelson, and Winter, 2001; Teece and Pisano, 1994; Teece, Pisano and Shuen 1997).

2.3.2.1 Definition of dynamic capability

Teece (1994) first defined dynamic capability as a firm’s ability to integrate, build and reconfigure competences internally and externally, and to address rapidly changing environments.

According to Teece (1997), the dynamic capabilities approach is a source of competitive advantage because it goes beyond an enterprise’s specific capabilities. It focuses on the process a firm uses to develop and renew skills, and meanwhile it is also conditioned by its past choices in accordance with the environmental dynamism. From this perspective, the dynamic capabilities are based on three pillars: processes (routines or patterns of current practice and learning), position (assets, governance structure, customer base and external relationships with suppliers and partners) and path dependence (history, historic decisions and technological and market opportunities). The organizational processes are shaped by the firm's position in assets and the trajectory, which defines the available strategic alternatives. These three aspects determine the “essence of dynamic capability of the firm and its competitive advantage, that is, determine their competence” (Teece, 1997). Furthermore, Teece (2007, 2009, 2014) defines the dynamic capability again as an ability to sense the environmental context, seize the opportunities, and manage the threats and transformations.

Since Teece, Pisano and Shuen’s original proposal, many scholars have striven to develop the

dynamic capabilities concept, and various scholars have come up with many definitions. Having reviewed these studies, we can divide these dynamic capability definitions into two kinds.

In the first kind, some scholars define dynamic capabilities as the means an enterprise has to complete the abstract organization and management processes. These scholars follow the original concept of dynamic capability and give an abstract definition, which is that it provides an enterprise with the means to: construct, adjust, integrate and reconstruct the internal and external resources or capabilities; perceive and identify opportunities and threats; release resources; and learn. Zollo and Winter (2002) define dynamic capability as a “learned and stable pattern of collective activity, based on learning mechanisms, through which the organization systematically generates and modifies its operational routines in search of improvement in effectiveness”. Winter (2003) argues that dynamic capability is the capability to operate, extend, modify or create common capabilities. Andreeva and Chaika (2006) posit that dynamic capabilities are those that enable the organization to renew its core competencies as changes occur in the operating environment. Wang and Ahmed (2007) hold that dynamic capability relates to behavior constantly oriented towards integrating, reconfiguring, renovating and rebuilding resources and capabilities, and towards improving and rebuilding the key capabilities in response to environmental changes, in order to achieve and sustain competitive advantage. Based on the theory of organizational duality, O’Reilly III and Tushman (2008) divided an organization’s strategic behavior into two: searching and developing within the company’s existing capabilities (exploitation); and going beyond the enterprise’s boundary to create new capabilities (exploration). They also argue that the ability of senior managers to seize opportunities through the orchestration and integration of both new and existing assets to overcome inertia and path dependencies is at the core of dynamic capabilities. Danneels (2011) developed the dynamic capability theory using an empirical case study as an example. This case study was about how the Smith Corona company tried to alter its resource base by leveraging existing resources, creating new resources, accessing external resources, and releasing resources. Wu (2010) argued that dynamic capabilities are the main source of competitive advantages in that they provide firms with the means to rapidly integrate, learn, and reconfigure their internal and external resources and can adapt to rapid environmental changes, so that firms can enhance or maintain their competitive advantages.

In the second kind, on the other hand, some scholars define dynamic capabilities from the perspective of the organization and empirical study, as a series of abilities to implement specific

strategies and organizational processes or activities. These include: product development, making alliances, strategic decision-making, marketing and R&D capabilities; the ability to develop new products or services; the ability to implement new business processes, create new customer relationships, and reform the business model. Danneels (2008) carried out research focused on the first form of dynamic capability i.e. the competence to build new competencies, and he discussed the ability to explore new markets and the ability to explore new technologies—referred to as marketing and R&D second-order competences, respectively. McKelvie and Davidson (2009) defined dynamic capabilities as a bundle of other capacities (idea generation capability, market disruptiveness capability, new product development capability, and new process development capability). Eisenhardt and Martin (2000) argue that dynamic capabilities are a set of specific and identifiable processes such as product development, strategic decision making, and alliancing. Helfat (2011) defined dynamic capability as an ability that helps an organization to create, extend or modify its resource base purpose, and there are many quintessential examples of dynamic capabilities, such as new product development at Intel, that come from ongoing businesses. Drnevich and Kriauciunas (2011) measured the dynamic capability from items that develop new products or services, implement new business processes, create new customer relationships and change the business model.

Based on the review above, we sorted out and classified these studies. The two classifications of dynamic capability are shown in Table 5.

In accordance with our review of dynamic capability, defining it from the specific strategic and organizational processes may lead to conceptual confusion, so we should follow the original definitions of dynamic capability based on the abstract business organization and management processes. In this way, it can reflect the commonality of dynamic capabilities in different enterprises.

Thus, in this research, we will use the definition of dynamic capability from Teece (1994, 1997, 2007, 2009), which is that the dynamic capability is the ability of an enterprise to construct, adjust, integrate and reconstruct the internal and external resources and capabilities, and to perceive and identify the opportunities and threats.

Table 5 Two classifications of dynamic capability

Type	Scholars	Main points
Ability to complete the abstract organizational and management processes	Teece, Pisano (1994); Teece (1997)	The capability of that the enterprise to construct, adjust, integrate and reconstruct the internal and external resources and capabilities
	Winter (2003)	The capabilities to operate, extend, modify or create common capabilities.
	Andreeva and Chaika (2006), Wang (2007)	To renew its core competencies
	Teece (2007, 2009); O'Reilly III and Tushman (2008)	The ability to perceive and identify the opportunities and threats
	Danneels (2011), Wu (2010)	The ability to peel off or release the resources
	Zollo and Winter (2002)	The ability to learn
Ability to complete specific strategic and organizational processes	Helfat (2011)	The ability to create new products and processes
	Eisenhardt and Martin (2000)	A set of specific and identifiable processes such as product development, strategic decision making, and alliancing
	Danneels (2008)	Marketing, R and D capability
	McKelvie and Davidsson (2009)	The ability in creativity, destroying the Market, and developing new products and processes
	Drnevich and Kriauciunas (2011)	The ability to develop new products or services, try new business processes, create new customer relationships, change the business model

Source: edit by author

2.3.2.2 Activity components of dynamic capabilities

Meanwhile, dynamic capability is also a part of organizational capacities. RBV research has shown that some of the most valuable and rare organizational capabilities are known as “dynamic capability”. Unlike static organizational capabilities, dynamic capability adapts to the threats and opportunities posed by the organization’s environment (Judge and Elenkov, 2005). Dynamic capabilities consist of a set of specific and identifiable processes that, although idiosyncratic to firms in their details and path dependent in their emergence, allow the organization to generate new, value-creating strategies (Eisenhardt and Martin, 2000).

Based on our review of the related research, we find that the organizational capabilities can be divided into a hierarchical structure, and dynamic capability has an important role in it. However, different scholars have different ways of doing this.

Some scholars defined the dynamic capability as the top level of the organizational capability. Eisenhardt and Martin (2000) argued that dynamic capability is one kind of organizational capability that enables businesses to be more rapid, agile and flexible in adapting to change. They divided the organizational capability into two categories: operational capability (static organizational capabilities); and dynamic capability. Cepeda and Vera (2007) also divided the organizational capabilities into two: operational capabilities; and dynamic capabilities. Meanwhile, Wang and Ahmed (2007) divided the organizational capabilities into four parts: resources and capabilities; common skills; key skills; and dynamic capability.

Some scholars divided organizational capacity from the functional perspective. Collis (1994) divided it into three categories: the first being functional skills, i.e. the ability to carry out the basic functions of business activities (static organizational capabilities); the second being dynamic improvement of business processes, i.e. the ability of an enterprise to promote various business activities dynamically; and the third is creative capability, i.e. an enterprise can recognize and develop their own potentials, and also can formulate and execute the development strategies earlier than its competitors. Winter (2003) put forward a three-level hierarchy model of dynamic capabilities. The first level involves common skills. The second level is the ability that allows the enterprise to cope with change, and the third level is the ability to create new capabilities.

Based on the review above, we sorted out and classified these studies. The different divisions are shown in Table 6.

Table 6 The different divisions of organizational capacity

Scholar	Content
Collis (1994)	Level 1: Functional skills. Level 2: Dynamic improvement of business processes. Level 3: Creative capability.
Eisenhardt and Martin (2000)	Level 1: Operational capability (static organizational capability) Upper Level: Dynamic capability.
Winter (2003)	Level 1: Common skills Level 2: The ability that allows the enterprise to cope with change Level 3: The ability to create new capability.
Cepeda and Vera (2007)	Level 1: Operational capability Level 2: Dynamic capability
Wang and Ahmed (2007)	Level 1: Resources and capabilities; Level 2: Common skills; Level 3: Key Skills; Level 4: Dynamic capability.

Source: edit by author

Based on the overviews of previous studies, we find that there are still some scholars who have made a lateral division of the dynamic capabilities.

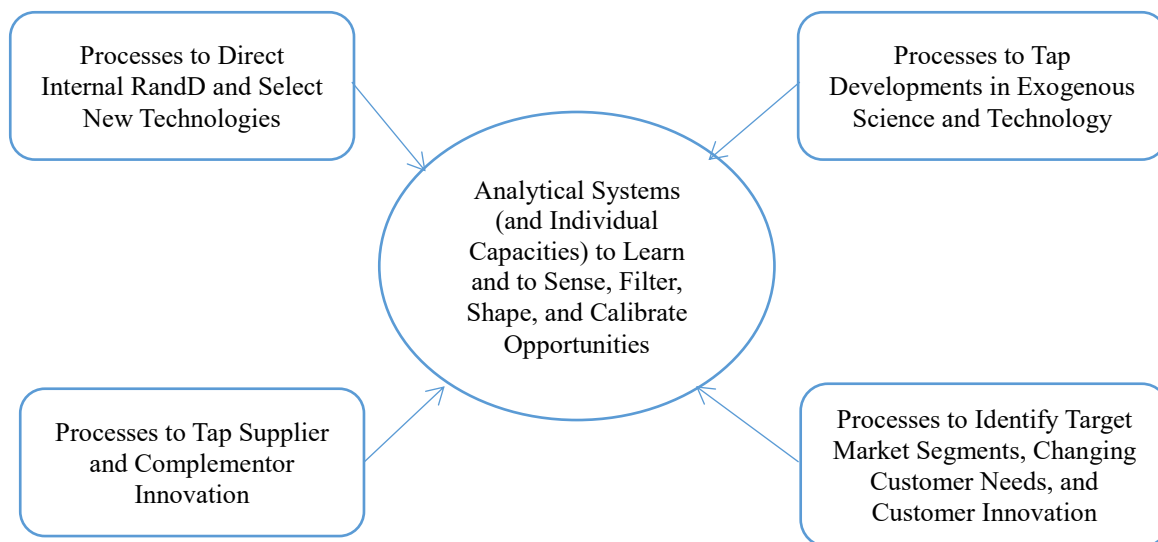
Barreto (2010) identified four categories of dynamic capabilities. These were the propensity to: change the resource base; sense opportunities and threats; make timely decisions; and make market-oriented decisions. Based on an empirical study of sustainable supply chain management in the food industry, Beske (2012) identified five categories of relational dynamic capabilities: knowledge management; partner development; supply chain re-conceptualization; co-evolution; and reflexive control. Wang and Rajagopalan (2015) differentiated the dynamic capabilities in terms of individual, alliance portfolio, and dyad-specific capabilities.

Meanwhile, our literature review shows that the most common categorization in the literature is offered by Teece (2007), who defined three categories of complementary dynamic capabilities: sensing capability (which makes it possible to scan and monitor changes in the environment),

seizing capability (which enables the formulation of decision-making protocols and the assimilation of knowledge), and re-configuring capability (which enables firms to re-combine their resources and knowledge).

Teece (2007) pointed out that sensing (and shaping) new opportunities is very much a scanning, creating, learning, and interpretive activity. This task involves scanning and monitoring internal and external technological developments and assessing customer needs, both expressed and latent. Nelson and Winter (1982) argued that to identify and shape opportunities, enterprises must constantly scan, search, and explore across technologies and markets, both ‘local’ and ‘distant’. This involves gathering and filtering technological, market, and competitive information from both inside and outside the enterprise, making sense of it, and figuring out implications for action (Teece, 2007). Teece (2007) summarizes the individual and enterprise traits that undergird sensing capabilities as shown in Figure 8.

Figure 8 Elements of an ecosystem framework for ‘sensing’ market and technological opportunities

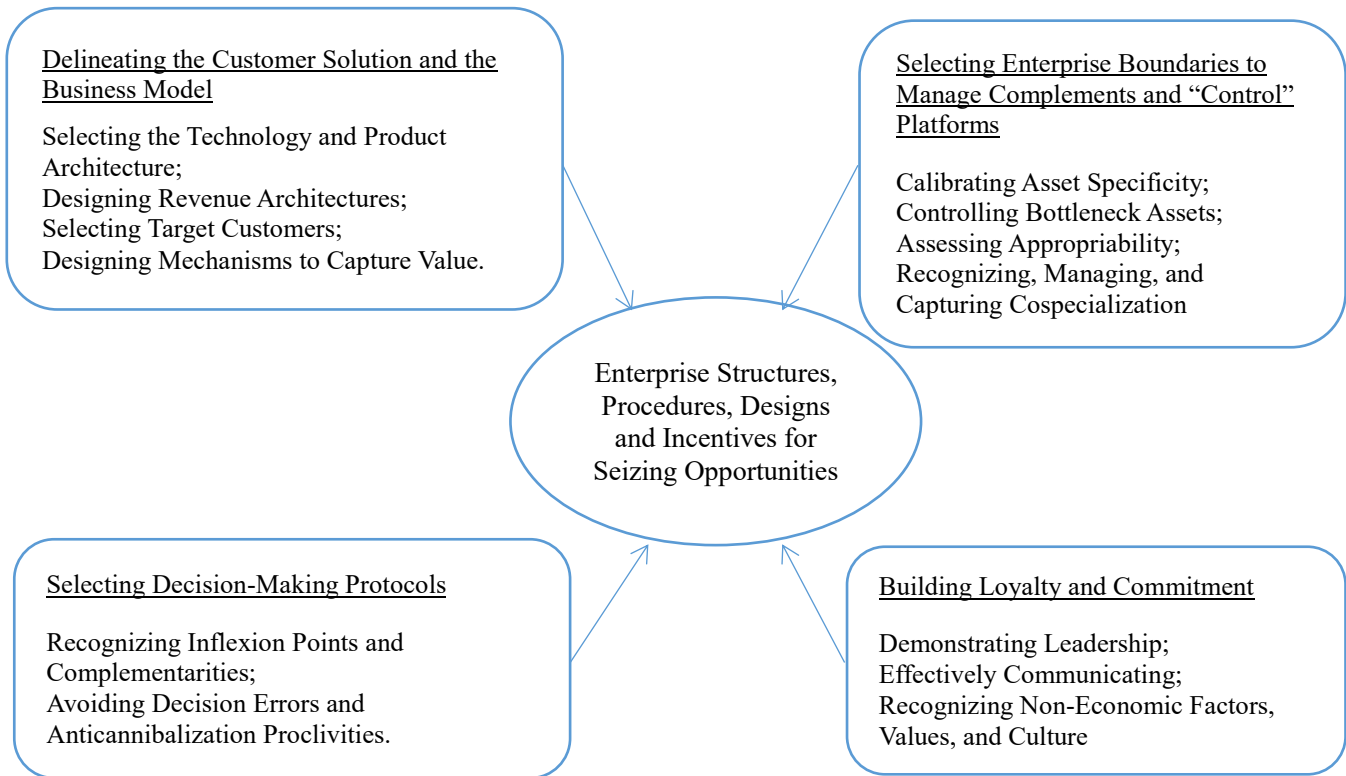


Source: Teece (2007)

Teece (2007) also argued that once a new (technological or market) opportunity is sensed, it must be addressed through new products, processes, or services, that relate to the seizing capabilities, which enable the formulation of decision-making protocols and the assimilation of knowledge. In the micro foundations, Teece (2007) discussed the enterprise structures, procedures,

designs and incentives for seizing opportunities from four perspectives. The first perspective is delineating the customer solution and the business model. The second perspective is selecting enterprise boundaries to manage complements and control platforms. The third perspective is selecting decision making protocols. The last perspective is building loyalty and commitment. The conceptual formwork about strategic decision skill \execution is shown as Figure 9.

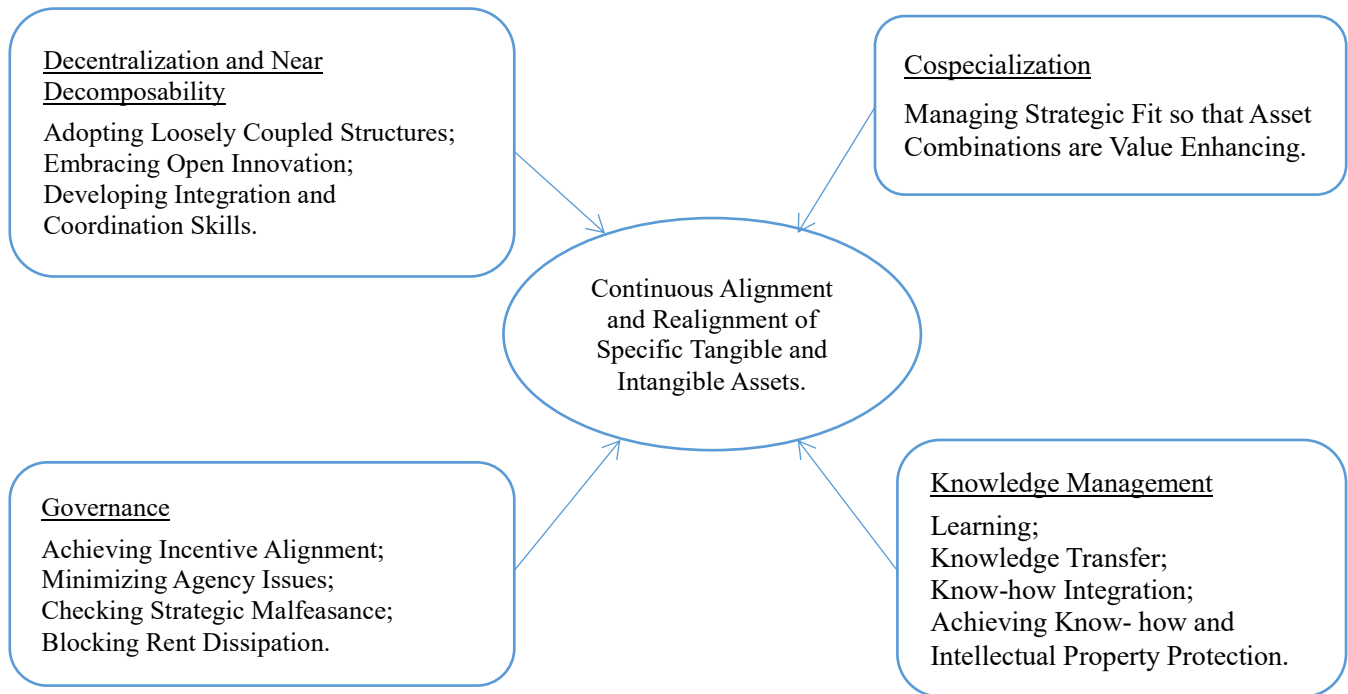
Figure 9 Strategic decision skills\execution



Source: Teece (2007)

What is more, Teece (2007) argued that the key to sustained profitable growth is the ability to recombine and reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies change, as they surely will, and need the re-configuring capabilities that enable firms to re-combine their resources and knowledge. From the perspective of micro foundations, this relates to achieving decentralization and near decomposability, managing co-specialization, learning, knowledge management, and corporate governance. Teece (2007) gave the conceptual framework of the combination, reconfiguration and asset protection skills, as shown in Figure 10.

Figure 10 Combination, reconfiguration, and asset protection skills



Source: Teece (2007)

In addition to this, there are many further studies that focus on the three categories: sensing, seizing, re-configuring, as shown in Table 7.

Table 7 Activity components of dynamic capabilities

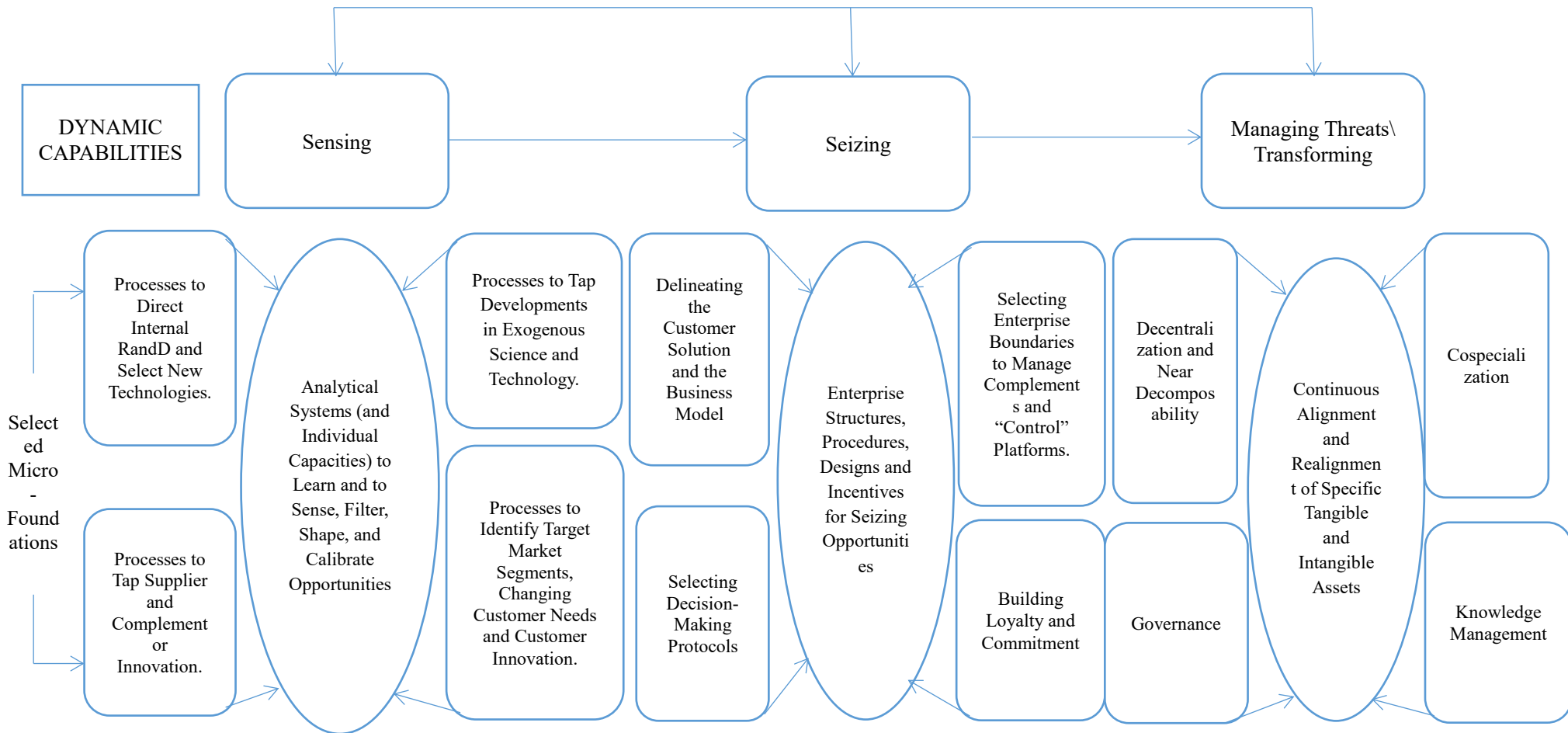
Activity component	Definition	Selected references
Sensing	Activities directed towards scanning the environment and identifying relevant changes and opportunities	Teece, Pisano and Shuen (1997); Pavlou and EI Sawy (2006); Teece (2007); Protogerou, Caloghirou and Lioukas (2011);
Seizing	Activities for developing new ways of responding to observed environmental changes and opportunities	Teece and Pisano (1994); Bowman and Ambrosini (2003); Pavlou and EI Sawy (2006); Protogerou, Caloghirou and Lioukas (2011);

Re-configuring	Activities directed at reorganizing existing operating routines.	Teece, Pisano and Shuen (1997); Bowman and Ambrosini (2003); Pavlou and EI Sawy (2006); Teece and Pisano (1994);
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Source: edit by author

Teece (2007) built up a general conceptual framework which argued that the dynamic capabilities were the foundation of enterprise-level competitive advantage in regimes of rapid (technological) change. The framework indicates that the extent to which an enterprise develops and employs superior (non-imitable) dynamic capabilities will determine the nature and amount of intangible assets it will create and/or assemble, and the level of economic profits it can earn. The framework is shown as Figure 11. This categorization presents the highest level of abstraction and is therefore the most comprehensive (Jantunen, 2012).

Figure 11 Foundations of dynamic capabilities and business performance



Source: Teece (2007)

2.3.2.3 Dynamic Capability, Path Dependence and Competitive advantage

As mentioned above, Teece, Pisano and Shuen (1994) defined the dynamic capability as the process that contributes to the organization with regard to the timely adjustment, integration and reconstruction of internal resources and ability in a constantly changing competitive environment. They then put forward the analysis framework of the dynamic capability and named it the 3P model (Teece, 1997) for the dynamic capabilities embedded in the enterprise organization process (Process), determined by the enterprise resource potential (Position) and path dependence (Path).

Path dependence is widely used in the research on technological change and institutional change in economics. However, in organizational research, the term path dependence was used to describe the historical matters of an enterprise and it was a development path that cannot be avoided. The development of enterprise is not only dependent on the real benefits, but is also affected by the initial conditions of the development path.

Arthur (1989) pointed out that path dependence always started in the occasional historical small-probability event. Corresponding to the research in organization, this kind of historical small-probability event represents a kind of revelation case that is good for the enterprise's development and can be used by the enterprise in the changing environment. After being selected, it will be quickly routinized by the enterprise. Thus, the spawned path will have different outcomes from the existing path.

Once an organization enters a path, the process will be enhanced since the system externality, organizational learning effects, and historical subjectivism (enterprise routines) are derived from these questions in history (North, 2005), and this means that the path will enter the self-strengthening mechanism after being selected. Qiu (2008) proposed that the self-strengthening mechanism is the stage of forming dominant logic through routine, and the learning stage is formed through imitation and copy. This mechanism begins with the historic small-probability events and follows the path of organizational routines. It also explains why enterprise routines have path-dependent characteristics.

On this basis, the self-strengthening mechanism will promote the path dependence into the "locking" state, making the path dependence become "Invalid innovation" and "track tenacious". At this point, organizational behavior is automatically in accordance

with the “locking” routine and only breaks the "locking" initiatively, when the organization feels pressure from the changes in the external environment. At the beginning, path dependence has an increasing return effect, and it will promote the enterprise input-output into a lock in line with "Pareto Optimality". In the research on organization, efficient "locking" is the source of core capability of enterprise.

However, the increasing return effect of "locking" will eventually be eroded by the changing environment, becoming more and more ineffective until it no longer suits the new development environment. Finally, Invalid "locking" becomes the source of core rigidity. Organizational flexibility is the important factor to break the inefficient “locking” of the enterprise. Dynamic capability is the concrete manifestation to keep the Organizational flexibility.

Within dynamic capability, sensing ability is mainly the ability of enterprises to identify existing threats and seek opportunities for development. In order to break the core rigid restrictions and to maintain the competitive advantage, enterprises have to gain access to the complete information, perceive whether the degree of their own conditions can suit the development of the environment, and identify the core rigid threat and the fleeting market opportunities. This is mainly reflected in the enterprise being able to sense and judge the current operation at any time, and whether the output of the existing "locking" can meet the needs of the market and customers. Meanwhile, it is also reflected in sensing the external changes such as the changes in market, policy, economic environment, and social networks, and then being able to recognize the potential threats and opportunities during the development of the enterprises in time.

Li (2012) argues that when threats and opportunities are identified, enterprise managers need to decide rapidly whether to change, since the faster they make the decision, the higher the possibility that their company can seize the opportunity or avoid any threat to their regaining the competitive advantage. Based on an enterprise’s existing resources and their configuration or, in other words, based on the existing path dependence, managers must find a solution to deal with threat quickly. This process brings an opportunity to change the path dependence, and the solution will become a "Historical small-probability event" to affect the new path dependence.

When managers decide to break the path dependence, companies need to combine their own resource potential and decision-making plan, and format new operating practices and capabilities through the establishment, integration, reconstruction and

release of the resources. This reflects the "destructive creation" features of dynamic ability (Eisenhardt, 2000), seeking Schumpeter rent with innovative behavior, and promoting the formation of new paths to maintain the core competitive advantage.

2.3.3 Dynamic capability and Family Businesses

Dynamic capability exists because an enterprise encountered "drastic changes" which produced a "threat" or "new development opportunities" so the enterprise needs to "reset the resources". Thus, in accordance with the analysis of Teece (2007), dynamic capabilities should include sensing, seizing, and reconfiguration of the ability to integrate, protect, and reorganize enterprise resources to maintain the competitiveness dimension. Meanwhile, he fully emphasizes the manager's dynamic ability in the subjective initiative, because the manager is the key person in the decision-making, and guides and determines the organization's organizational behavior and internal context (Teece, 2007). In a family business, the key person is the owner or the core family member.

Drawing on the capability-based view, Lichtenthaler (2012) provided new theoretical arguments related to innovation capabilities rather than realized innovation output in firms with family involvement. Specifically, the degree of family involvement, which describes the owner family's ability to influence the firm's behavior, is positively related to sensing innovation opportunities and to transforming a firm's innovation processes, and it is insignificantly related to seizing innovation opportunities. His findings suggest that dynamic innovation capabilities are an important characteristic that differs among firms with varying levels of family involvement.

Jones (2013) draws on the theory of dynamic capabilities to examine the development of the only surviving family-owned Liverpool shipping company, Bibby. His intention is to demonstrate how multi-generational ownership contributes to the creation of dynamic capability in family business. The distinctive nature of Bibby as a long-standing family business is related to unique assets such as patient capital, flexible governance structures, and the ability to mobilize social and human capital.

Based on the theory of dynamic capabilities, Jiang (2013) established a structural model for family business, and analyzed the developed competitive advantages of wavy curve evolution. At the same time, his model analyzes the key matters that the family business needs to solve during the process to achieve sustainable development. These relate to the "Creative break" of the enterprise's core rigidities, the construction of the

operations support system, and construction of the dynamic capabilities system, corporate culture and brand strategy.

Zhao (2016) put forward that entrepreneurship has a significant positive impact on the dynamic capabilities of the family business. He confirmed that in the dimensions of entrepreneurship, a sense of crisis has a significant positive effect on real-time information access and on the stability of the new implementation of the strategy. At the same time, market orientation has a significant positive impact on the efficiency of the new dominant logic breakthroughs and implementation of the strategy. What is more, innovative spirit has a significant positive effect on the stability of the new strategy with regard to its implementation, efficiency and execution.

2.4 Social Capital

2.4.1 Definition of social capital

The concept of "social capital" initially appeared in the study of community. Jacobs (1965) highlighted the importance of strong networks for the survival and functioning of city neighborhoods, and also how they relate to the personal relationships that developed over time, and which provide the basis for trust, cooperation, and collective action in such communities.

Early research mostly proved that social capital has a significant affect on the individual. Loury (1977) argues that the set of resources inherent in family relations and in community social organizations are useful for the development of the young child.

The first systematic analysis of social capital was completed by Bourdieu (1980). He defined social capital as the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition (Bourdieu, 1980).

Coleman (1988) first proposed the term social capital. He argued that treating the conception of social capital as a resource for action is one way of introducing social structure into the relation action paradigm. He introduced three forms of social capital: obligations and expectations; information channels; and social norms.

In the late 1990s, scholars introduced the concept of social capital into the field of enterprise management research. From that point, the academic field started paying more attention to the important influence of social capital on the competitive advantage of an

enterprise, and more and more studies appeared.

Protes (1998) defined social capital as the ability of actors to secure benefits by virtue of membership in a social network. Nahapiet (1998) defined social capital as the sum of the actual and potential resources embedded within, available through, and derived from an individual's or social unit's network of relationships.

Lin (1999) argued that social capital, is rooted in social networks and social relations, and must be measured relative to its root. So, social capital can be defined as resources embedded in a social structure which are accessed and/or mobilized in purposive actions. He identified social capital from two perspectives. In one, the focus is on the use of social capital by individuals, i.e. how individuals access and use resources embedded in a social network to gain returns in instrumental actions (e.g. finding better jobs) or preserve gains in expressive actions. The aggregation of individual returns also benefits the collective. The second perspective has its focus on social capital at the group level, with discussions dwelling on how certain groups develop and maintain more or less social capital as a collective asset, and how such a collective asset enhances group members' life chances (Lin, 1999).

Adler and Kwon (2002) argued that social capital is the resource available to actors as a function of their location in the structure of their social relations. And they distinguished conceptually among three dimensions of social structure, each rooted in different types of relations: (1) market relations, in which products and services are exchanged for money or bartered, (2) hierarchical relations, in which obedience to authority is exchanged for material and spiritual security, and (3) social relations, in which favors and gifts are exchanged.

Ou and Hsu (2015) define social capital as the implicit and tangible set of resources available to enhance the organization's competitive advantage by virtue of network relationships.

Besides, the contribution of social capital is derived from both intra- and inter-organizational relationships. From the internal perspective, social capital can reduce transaction costs, facilitate information flows, knowledge creation and accumulation (Burt, 2000; Lin, 2001), and improve creativity (Nahapiet and Ghoshal, 1998). From the external perspective, social capital increases alliance success (Ireland, 2002; Koka and Prescott, 2002).

The following studies pay more attention to the role of social capital as an influence

on the performance and advantage of firms (Baker, 1990), geographic regions (Putnam, 1995) and nations (Fukuyama, 1995).

Accordingly, we use the individual-level definition, which dominates the sociology literature (Leana and Van Buren, 1999), because it is more appropriate to our research question than the organization-level definitions.

2.4.2 Dimension and the measurements of Social Capital

One of the most highly cited works in this area is by Nahapiet (1998), who classified the dimensions of social capital into three clusters: the structural, the relational, and the cognitive dimensions.

The structural dimension includes the presence or absence of network ties between actors (Scott, 1991; Wasserman and Faust, 1994), with a network configuration (Krackhardt, 1989) or morphology (Tichy, Tushman and Fombrun, 1979) describing the pattern of linkages in terms of measures such as density, connectivity, and hierarchy; and appropriable organization - that is, the existence of networks created for one purpose that may be used for another (Coleman, 1988). The strength of these ties depends on the degree of emotional intensity, intimacy, and frequency of relations between the members of the (family) network (Granovetter, 1976). The structural dimension is the summary of the many kinds of relations among the enterprises, and mainly focuses on the existence of connection, the strength of the connection and the structure of the network.

The relational dimension includes trust and trustworthiness (Fukuyama, 1995; Putnam, 1994), norms and sanctions (Coleman, 1990; Putnam, 1995), obligations and expectations (Burt, 1992; Coleman, 1990; Granovetter, 1985), and identity and identification (Hakansson and Snehota, 1995; Merton, 1968). This dimension mainly focuses on how to get rare resources through creating and maintaining the relationship.

The cognitive dimension refers to those resources that provide shared representations, interpretations, and systems of meaning among parties (Cicourel, 1973). These resources also represent facets of particular importance in the context of our consideration of intellectual capital, including shared language and codes (Arrow, 1974; Monteverde, 1995) and shared narratives (Orr, 1990). The cognitive dimension is the cognitive paradigm within the network that decides whether the members in the network know each other well.

Meanwhile, another affective study of social capital is one conducted by Lin (1999),

who argued that the notion of social capital contains three ingredients: resources embedded in a social structure; accessibility to such social resources by individuals; and the use or mobilization of such social resources by individuals in purposive actions. Thus conceived, social capital contains three elements intersecting structure and action: the structural (embeddedness), opportunity (accessibility) and action-oriented (use) aspects. And he shaped the definition of social capital as investment in social relations by individuals through which they gain access to embedded resources to enhance expected returns of instrumental or expressive actions (Lin, 1999).

Based on that definition, Lin (1999) put forward two principal approaches to measure social capital as assets captured by individuals in social networks - see Table 8. One approach is to measure the network resources and contact statuses and focus on the embedded resources. The other approach is to measure the strength of ties and bridges, or how access to bridges facilitates returns in actions, and to focus on the network locations.

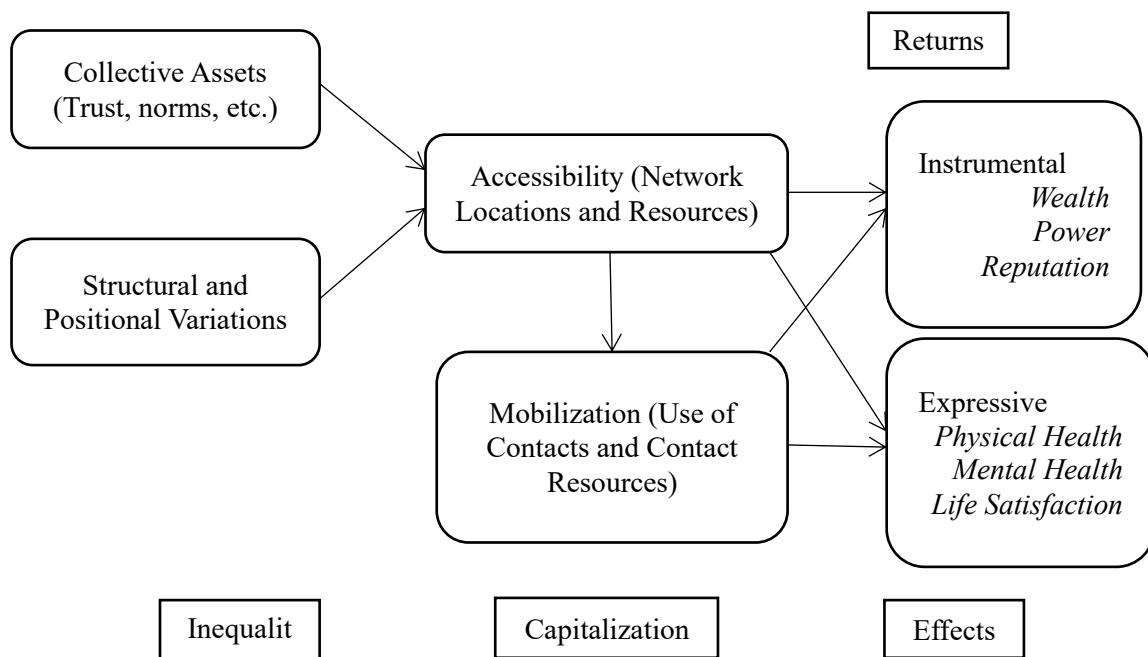
Table 8 Social Capital as Assets in Networks

Focus	Measurements	Indicators
Embedded Resources	Network resources	Range of resources, best resources, Variety of resources, composition (average resources), contact resources
	Contact statuses	Contacts' occupation, authority, sector
Network locations	Bridge to access to bridge	Structural hole, structural constraint
	Strength of tie	Network bridge, or intimacy, intensity, interaction and reciprocity

Source: Lin (1999)

What is more, Lin (1999) proposed a model as an initial step of theorizing social capital as shown in Figure 12.

Figure 12 Modeling a Theory of Social Capital



Source: Lin (1999)

Based on the review above, we know how many scholars conducted research focused on the dimensions of social capital and we can make a summary as shown in table 9.

Table 9 Summary of dimensions of Social capital

Author (year)	Findings	Dimensions of Social capital
Loury (1977)	The set of resources inherent in family relations and in community social organizations useful for the development of the young child	Social capital has a significant effect for the individual
Coleman (1988)	The function identified by the concept of social capital is the value of these aspects of social structure to actors as resources that they can use to achieve their interests.	Three forms of social capital, and they are obligations and expectations, information channels, and social norms.

Author (year)	Findings	Dimensions of Social capital
Nahapiet (1998)	Defined social capital as the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.	Three clusters: the structural (network ties, network configuration, appropriable organization), the relational (trust, norms, obligations, identification), and the cognitive dimensions (shared language and codes, and shared narratives).
Lin (1999)	social capital can be defined as resources embedded in a social structure which are accessed and/or mobilized in purposive actions	Social capital contains three elements intersecting structure and action: the structural (embeddedness), opportunity (accessibility) and action-oriented (use) aspects.

Source: edit by the author

2.4.3 Social capital and dynamic capability

As mentioned above, Teece (1997) define dynamic capability as the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. Eisenhardt and Martin (2000) defined dynamic capability as “the firm’s processes to integrate, build and reconfigure internal and external competencies to address rapidly changing environments”. Dynamic capabilities are the sources of a firm’s sustainable competitive advantage, and are at the heart of a firm’s long-term financial performance (Blyler and Coff, 2003; Hsu and Wang, 2010; Teece, 1997), and this relationship has been confirmed in much of the literature as mentioned previously.

The logic of dynamic capability is that firms build a group of ‘temporary’ advantages by sensing, seizing, and reconfiguring resources, and this may translate to a sustained advantage if the organization considers the dynamic environment. While any given resource configuration may be imitable, the meta-capability to manage and organize the

resources to create valuable combinations may be very hard to replicate.

Although there are many studies based on dynamic capability, the existing literature on dynamic capability has not clearly defined a relative link to social capital.

By definition, dynamic capabilities involve adaptation and change because they build, integrate, or reconfigure other resources and capabilities. Still, there is much research to explain how individuals' social capital helps firms to acquire, integrate, recombine, and release resources. While they cannot define the link between social capital and dynamic capability, they nevertheless help us to know how social capital is linked to each element of resource manipulation.

Social capital enables firms to acquire valuable resources, such as human capital (Fernandez, Castilla and Moore, 2000) and valuable knowledge (Brown and Duguid, 1998), through the external ties of its members.

Social capital is a key mechanism for knowledge integration, and knowledge exchange and combination within the firm (Nahapiet and Ghoshal, 1998), which promotes innovation (Hargadon and Sutton, 1997; Subramaniam and Youndt, 2005; Tsai and Ghoshal, 1998).

Social capital enables the release of resources from the firm as individuals leave the firm (Blyler and Coff, 2003; Corredoira and Rosenkopf, 2010).

In so much of the literature, it is social capital that shows promise with regard to understanding the origin and nature of dynamic capabilities. Blyler and Cuff (2003) argued that social capital is essential for a firm's dynamic capability as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities.

In other words, Blyler and Cuff (2003) hold that social capital is a necessary (though not sufficient) condition for the existence of a dynamic capability. This is because other elements such as an organic structure, shared culture, language, and simple routines are also required. Some are antecedents or requirements for developing social capital (Leana and Van Buren, 1999; Nahapiet and Ghoshal, 1998).

As social capital is essential for a firm's dynamic capability, and is argued to be a lens for multi-level studies, it seems appropriate to apply this lens to the study of the origin of dynamic capabilities in which individual level constructs and their aggregation are involved.

However, although there are still no empirical studies that research the relation between social capital and dynamic capabilities, it is one of the mainly research topics of this study.

2.4.4 Social capital and family business

It has been theorized in the family business literature that family businesses have competitive advantages over non-family businesses (Moscatello, 1990).

Ties that exist in the social structure of families are different from those that exist in non-family organizations and communities. Family ties are stronger, more intense, and more enduring (Hoffman and Hoelscher, 2006). As we will describe below, family social capital is a special form of social capital given that it is limited to family relationships.

Social capital is created through the investment of resources, such as time, money, and energy in building relationships and can increase the productivity of existing resources (Coleman, 1988; Dollahite and Rommel, 1993). Researchers refer to the special form of social capital developed through the interactive, dynamic, and trusting relationships of family members, which is available only to family members as family social capital (Hoffman, 2006; Salvato and Melin, 2008). Family social capital is seen to be appropriable in the sense that it can be used for purposes other than the ones for which it was created. Thus, although family social capital could have been developed initially to enhance family members' satisfaction with family life, or to nurture the next generation (Bubolz, 2001; Dollahite and Rommel, 1993), researchers have proposed it as the potential source of competitive advantage for family business (Sirmon and Hitt, 2003; Arregle, 2007; Carney, 2005; Hoffman, 2006; Pearson, Carr, and Shaw, 2008; Salvato and Melin, 2008).

Some researchers propose that the extent to which family social capital is appropriated through family support can affect an entrepreneur's career (Dyer, 2003; Dyer and Handler, 1994) as well as the goals, strategies, perceptions, and initial performance of a new venture (Chrisman, 2002; Sharma, Chrisman and Chua, 1997). Chang (2008) argue that family social capital contributes to the prevalence of family firms in economically disadvantaged regions.

The founder needs to accumulate or otherwise obtain access to both tangible and intangible resources during the new venture creation process (Alvarez and Busenitz, 2001; Barney, 1991; Dierickx and Cool, 1989). As the process of resource accumulation

is path dependent and cumulative, entrepreneurs will find that they need to use their human capital and interact within the social environment to accumulate resources (Sirmon and Hitt, 2003).

An entrepreneur's knowledge is a critical resource for the enterprises' development and will influence entrepreneurial intentions (Chang, 2007 ; Krueger and Carsrud, 1993). Meanwhile, the support of family members can also influence entrepreneurial intentions as well as the acquisition and management of the resources needed for development (Granovetter, 2004; Nahapiet and Ghoshal, 1998; Nonaka, 1994). In other words, being able to use the social capital an entrepreneur has developed through his or her network of contacts is critical for the development of a family business (Granovetter, 2004; Greve and Salaff, 2003; Nahapiet and Ghoshal, 1998).

Wang (2016) argued that the three dimensions of social capital, namely, structural, cognitive, and relational capital, influence the dynamic capabilities of family businesses.

2.4.5 Social Capital and Guanxi in China

Many descriptions of Guanxi are supposed to put into words the nature of personal relationships. Like, for example, "Chinese particularistic ties" (Jacobs, 1982), "Personal ties" (Pye, 1992) and "necessitating very personal interactions" (Leung, 1993).

Alston (1989) stated that Guanxi refers to a type of special relationship between two independent persons, who are entirely committed to each other. He clearly shows that Guanxi is personal and obligation is involved, although the fact that favors are expected to be given in return as far as Guanxi is concerned is not indicated.

De Mente (1992) argued that a successful business relationship between Chinese companies begins with the establishment of a personal bond between the principal managers of the companies, and is based thereafter on the careful maintenance of these personal ties.

Yeung and Tung (1996) defined Guanxi as a general term for social networking and it refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions.

Nitsch (2007) claimed that Guanxi can be defined as a concept about interpersonal connections which imply a continuous exchange of favors. Park and Luo (2001) proposed Guanxi at the organizational level as managerial ties, and defined organizational Guanxi

as managers' social networks and ties with business partners and government officials that can be employed for organizational purposes. This definition of Guanxi includes two domains. One is the ties with managers at other business firms such as suppliers, buyers, competitors, and other business intermediaries (Dubini and Aldrich, 1991; Peng and Luo, 2000). The other is the ties with government officials at various levels of governmental, bureaucratic, and regulatory agencies (Luo and Chen, 1997; Peng and Luo, 2000).

So and Walker (2006) argued that Guanxi is a complicated issue in Chinese culture, and it is used for describing personal relationships between people. The Chinese clearly recognized Guanxi as a powerful aid to business, and it is also widely acknowledged by non-Chinese businessmen and handling Chinese businesses. Whilst the Chinese understand how Guanxi operates in practice, both strategically and in its minutia, non-Chinese are likely to have only a broad idea of how it works. Also, some scholars hold that Guanxi can be translated as relationships or connections (Yeung and Tung, 1996; Seligman, 1999; Su and Littlefield, 2001).

Ronald and Katarzyna (2017) conducted research about Chinese entrepreneurs, social networks and Guanxi, and obtained the following empirical study results: access to structural holes is as much a competitive advantage in China as it is in the West; trust is facilitated within closed networks in China as it is in the West, with trust reaching higher levels as a relationship is more structurally embedded, and then breaking free when that relationship is well established; and history and trust proven in events, were shown to be especially important to the Chinese entrepreneurs.

Business networks in China, often referred to as Guanxi, are the kinds of relations believed to be less prevalent in the West. Guanxi is a colloquial term that has immediate face validity, and provides grounds for rich discussion (Hwang, 1987). The image of Guanxi is that relations involve three qualities: (1) familiarity, intimacy, (2) trust, and (3) mutual obligation (Bian, 1997; Luo, Huang and Wang, 2012; Chen, Chen and Huang, 2013). Luo (2011) adapts the imagery to discuss 'Guanxi circles' in Chinese management. Guanxi circles are in some ways akin to familiar center-periphery images of networks - layers in the 'social atom' around a person (Moreno, 1947), or an 'inner circle' of business elites (Useem, 1984), but the concept of a Guanxi circle is more precise with respect to the role of trust and obligation for network advantage.

Based on the related research, enterprises can get priceless information, capture a precious opportunity, absorb scarce resources, and achieve sustainable development in

the increasingly fierce competitive environment through a wide range of social contacts. Especially in the context of China's transition economy, the formal system is neither perfect nor effective. An enterprise's social capital and social relations play a very important role in resource acquisition, market entry and protection of property rights, and they also help the enterprise gain a competitive advantage.

This research examines the impact of social capital on the dynamic capability of family business from a perspective within the family business. We construct a conceptual model through literature research and theoretical combing, and then put forward the relevant research hypothesis.

2.4.6 Social capital and Succession

Succession is one of the most significant activities for family business, and in order to achieve sustainable development, it is important to understand its many facets. The concept of social capital provides a useful perspective from which to examine succession and the accompanying social processes within family firms.

The social capital literature provides useful frameworks for examining how firms build and maintain relationships. There are a number of central themes that permeate this literature. First, economic activity is embedded in a social context, and social capital plays a critical role in a firm's survival and success. Second, relative to the other forms of capital (physical and human), social capital is the most intangible (Portes, 1998; Bourdieu, 1986; Coleman, 1988). Third, a central observation of the social capital literature is that this form of capital is not completely fungible (Coleman, 1988) or traded easily (Nahapiet and Ghoshal, 1998). Finally, firms generally accumulate social capital over time. For already established family firms, a central task involves passing on the key resources residing within this network to the next generation.

For firms, the value of social capital is most effectively realized if there is a degree of coordination. This task presents considerable management challenges for family firms. Most notably, social capital is generally accumulated over time, is often intangible, and represents one of a firm's least fungible assets. The task of transferring and managing this asset can be critical for a firm's survival and success.

For family business, the structural, relational, and cognitive dimensions of external social capital networks are often understood and retained through tacit knowledge routines. Within family firms, next generation entrepreneurs inherit social capital through

a variety of modes, including unplanned sudden succession, rushed succession, natural immersion, and planned succession and transfer of social capital. (Steier, 2001). Social capital is different from other kinds of capital in that it is not easily bought, sold, or traded (Coleman, 1988; Nahapiet and Ghoshal, 1998). In essence, it represents the ability of people to work together. From a macro perspective, its preservation and accumulation are fundamental to economic prosperity (Fukuyama, 1995). From the perspective of organizations with long-term continuity goals, such as family firms, realizing the value of external social capital requires that it is effectively transferred and managed (Steier, 2001).

For family business, Steier (2001) holds that the transfer of wealth to the next generation is a major concern. Existing literature on succession planning, however, focuses largely on the transfer of physical and human capital. There has been relatively little attention devoted to the development and transfer of social capital within family business. Within the context of family firms and succession, social capital represents one of the least tangible and least fungible assets. The processes by which these assets are managed are little understood and merit further study. Consequently, the focus of this research is to explore further the manner and means by which social capital is transferred to and managed by next-generation entrepreneurs within family firms. Besides, understanding the dynamics of a firm's success requires an understanding of: (1) the assets residing in relationships and (2) and the mechanisms by which these assets are maintained and transferred.

For family business, whether succession is sudden or planned, it is paramount that next-generation entrepreneurs develop an accurate map of the firm's network structure. The next generation generally know what the strong ties are. However, in terms of deciphering network structure, weak ties are particularly problematic. As Granovetter (1983) clearly established, there is strength in weak ties; however, it is particularly difficult for the next generation to tap into these ties if they are vague or unknown. In other words, this strength can be potentially lost during the transition period. Thus, it is important for the next generation to ascertain the broad spectrum of relationships and determine who the key players are, and how they are connected.

2.5 Summary

This chapter extensively examines the previous and current literature about the family business, dynamic capability and social capital. Through reviewing the literature, we can first of all justify the definition and the character of family business and succession. Second, we find that the dynamic capabilities framework focuses both inside and outside of the organization. As they are affected by the environment, dynamic capabilities are unstable, thus long-term competitive advantage lies in the resource configurations. More complex capabilities lead to a competitive advantage that is more difficult for competitors to copy, therefore the competitive advantage can be sustained for longer periods of time. Third, social capital is essential for a firm's dynamic capability as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities (Blyler and Cuff, 2003).

Chapter 3: Research design and methodology

3.1 Introduction

Chapter two extensively reviewed the literature of family business study, dynamic capability theory and social capital theory.

In this chapter, we will introduce the research design and the methodology used in this research. The aim is to develop an integrative conceptual framework to explain how Chinese family businesses achieve sustainable development by using three crucial antecedents: dynamic capability, social capital and succession, and how these elements relate to one another. Specifically, the proposed conceptual framework bridges the theoretical perspectives of conventional “dynamic capability” theory, and China’s specific “Guanxi” as social capital factors, and how they are passed on to the next generation.

3.2 Research design

Based on the literature review and discussion in Chapter 2, we now build the conceptual model for this study and develop the hypothesis.

In this section, we will study the moderating role of the relative dependence between social capital and dynamic capability, as well as the relationship between dynamic capability and sustainable competitive advantage. The development status of the dynamic capabilities of a family business will first be discussed, then we build a competitiveness construction model for family business, and the concept of social capital based on the dynamic capability theory will be introduced into the process.

At the same time, we will conduct research on the succession of social capital within the family business, and also the succession of dynamic capability and competitive advantage. Then the evolution model, which considers the succession in the sustainable development process, will be analyzed.

3.2.1 Conceptual model

From our review of the literature, we glean that intangible resources enable an enterprise to have heterogeneous capabilities that produce sustainable competitive advantage (Hall, 1993). Based on the intangible resource, path dependence brings an increasing return effect, and will promote the enterprise input-output into a lock that is in

line with "Pareto Optimality". In the research on organization, efficient "locking" is the source of core capability of enterprise. However, the increasing return effect of "locking" will be eroded gradually by the changing environment. It becomes more and more ineffective and no longer fit for the new development environment. Finally, invalid "locking" becomes the source of core rigidity.

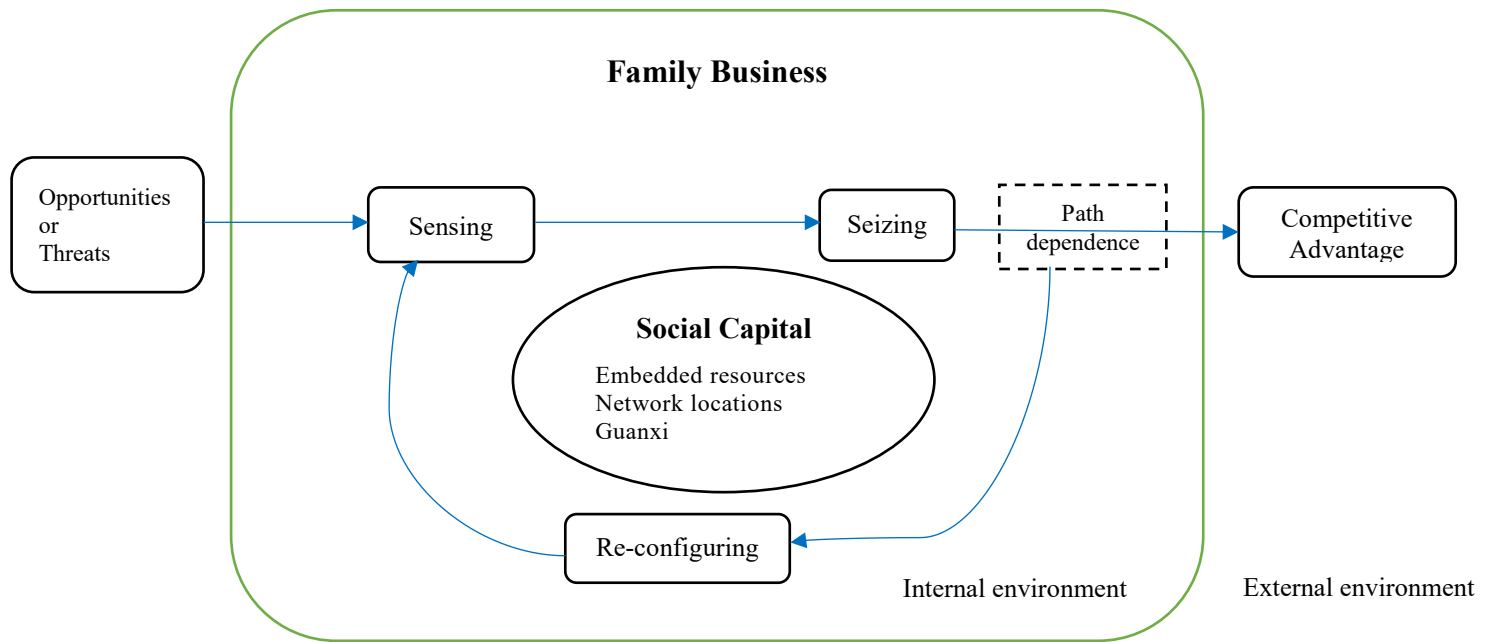
According to the literature review, organizational flexibility is the most important factor with regard to breaking the inefficient "locking" of an enterprise. Dynamic capability is the concrete manifestation that ensures the maintenance of organizational flexibility. And the dynamic capabilities are the sources of a firm's sustainable competitive advantage and are at the heart of a firm's long-term financial performance (Teece, 1997; Blyler and Coff, 2003; Hsu and Wang, 2010).

Furthermore, social capital is a key mechanism for knowledge integration and knowledge exchange and combination within the firm (Nahapiet and Ghoshal, 1998), which promotes innovation (Hargadon and Sutton, 1997; Subramaniam and Youndt, 2005; Tsai and Ghoshal, 1998). Social capital enables the release of resources from the firm as individuals leave the firm (Blyler and Coff, 2003; Corredoira and Rosenkopf, 2010).

So much of the literature shows that, in family business, social capital is the most important intangible resource, and that it can bring about dynamic capability. Dynamic capabilities thus reflect an organization's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions (Leonard-Barton, 1992). It is social capital that promises to provide understanding of the origin and nature of dynamic capabilities. Blyler and Cuff (2003) argued that social capital is essential for a firm's dynamic capability as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities.

Based on that, we arrive at the family business sustainable development conceptual model 1 shown in Figure 13.

Figure 13 Family business sustainable development conceptual model 1



Source: Edit by the author

From the point of view of strategy, the sustainable development of the family business is not only to achieve competitive advantage in a particular period, but should be to sustain the advantage from generation to generation. So, we have to take succession into consideration in the sustainable development conceptual model. At the same time, from the perspective of family business, we need to realize the value of external social capital and keep the dynamic capability required to transfer and manage it effectively during the succession process.

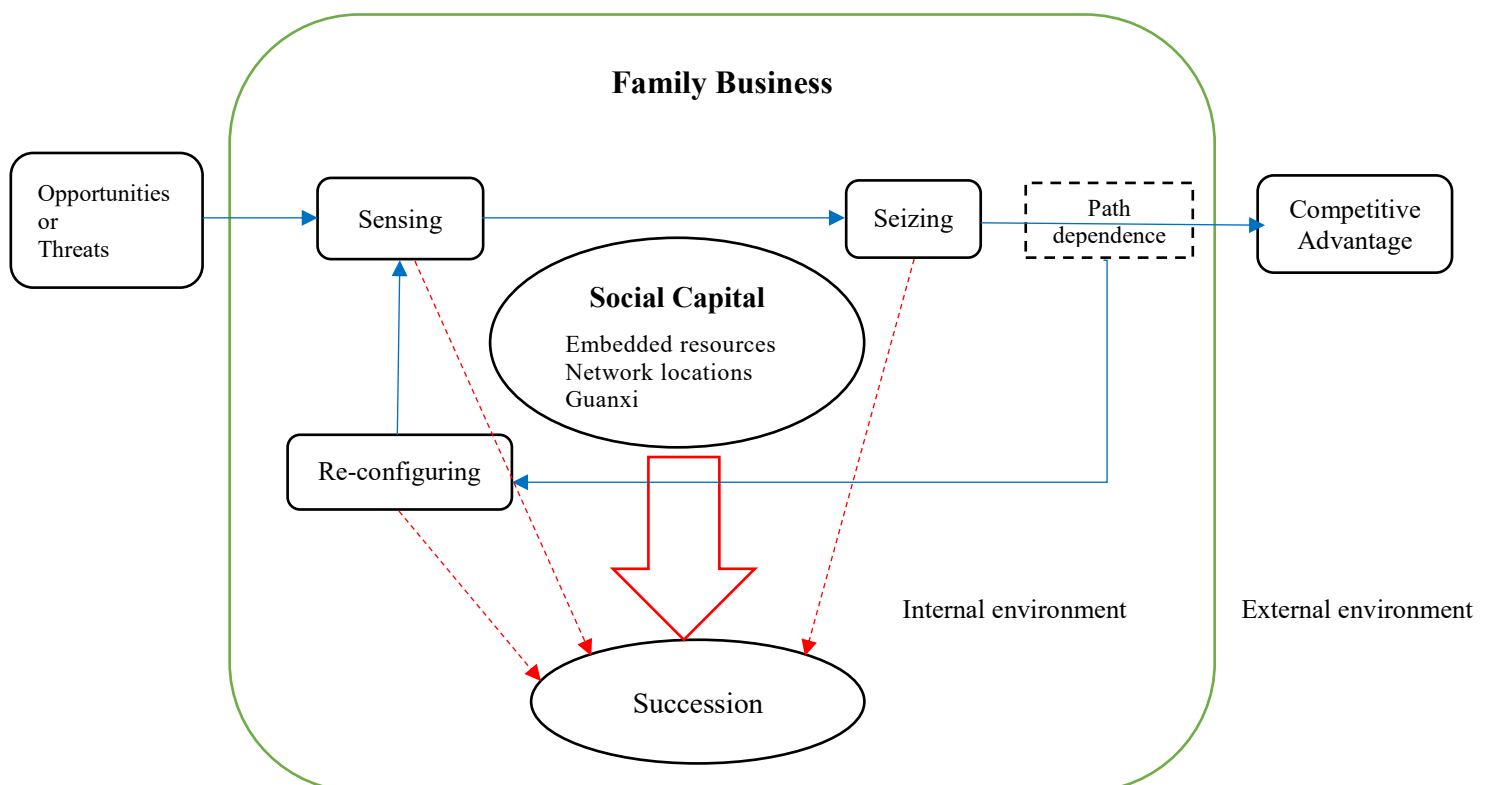
For family businesses, the transfer of wealth to the next generation is a major concern. Existing literature on succession planning, however, focuses largely on the transfer of physical and human capital. There has been relatively little attention devoted to the development and transfer of social capital within family firms. Social capital or relational wealth is different from other kinds of capital in that it is not easily bought, sold, or traded (Coleman, 1988; Nahapiet and Ghoshal, 1998).

For a family business, the value of social capital is most effectively realized if there is a degree of coordination. As mentioned in the literature review, this task presents family firms considerable management challenges. Most notably, social capital is generally accumulated over time, is often intangible, and represents one of a firm's least fungible assets. The task of transferring and managing this asset can be critical for the survival and success of a family business.

Meanwhile, as mentioned above, Blyler and Cuff (2003) argued that social capital is essential for a firm's dynamic capability as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities. So, the succession of social capital brings the succession of dynamic capability.

Therefore, based on conceptual model 1, we add succession to it, and also consider social capital and dynamic capability in this process. Thus, we arrive at the family business sustainable development process model 2 (Figure 14).

Figure 14 Family business sustainable development conceptual model 2



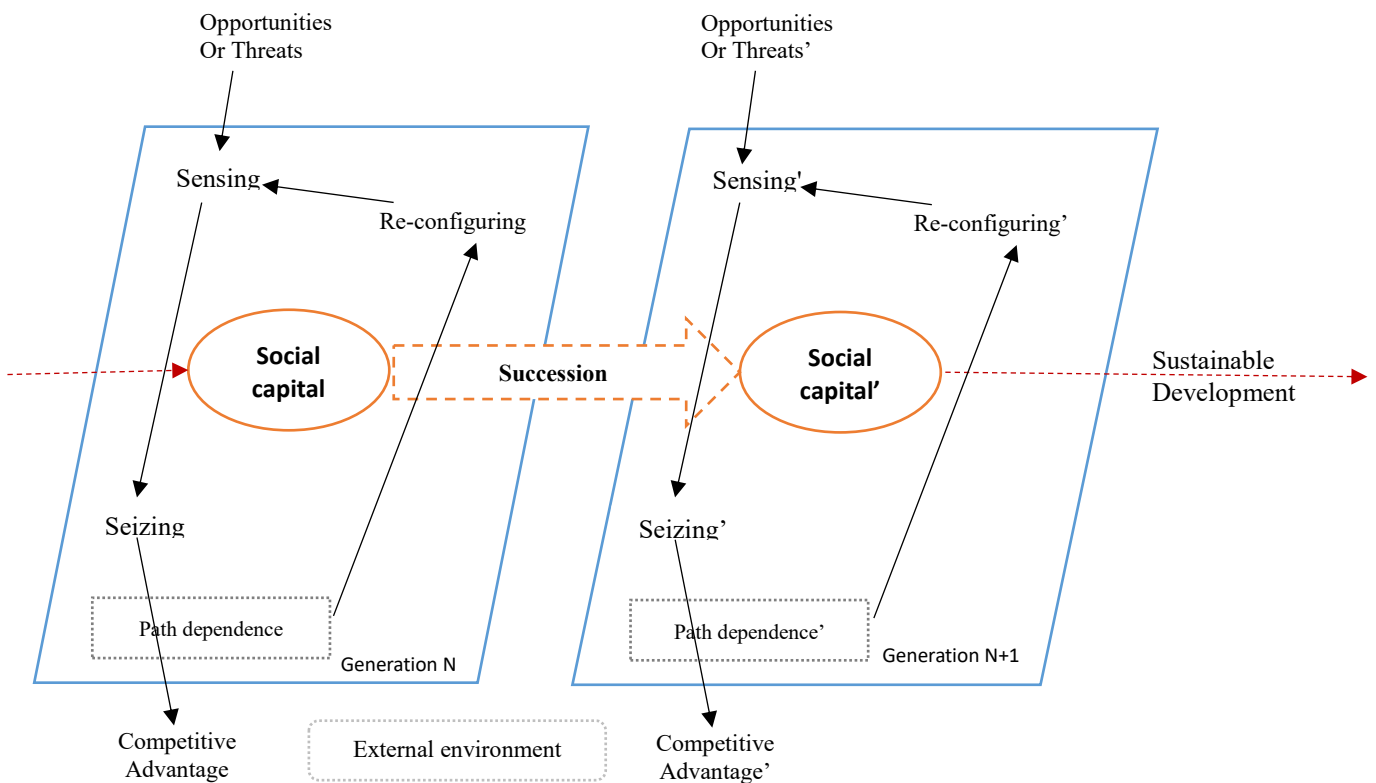
Source: Edit by the author

Based on the literature review, we know that a family business is not necessarily an inefficient economic organization. Indeed, in a special social and economic environment, it may be more efficient than a bureaucratic enterprise or market (Chu, 2000). Nowadays, more and more scholars emphasize that the secret of family business lies not only in the flexibility and internal unity of individual companies, but more importantly, in the fact that these family business owners are deeply rooted in the local network of interpersonal relationships and rely on that network, and that the formation of a professional network

of inter-firm cooperation is an important kind of social capital. Thereby they can continuously sense and seize market information and product technology knowledge and, by re-configuring their own business, achieve a competitive advantage.

Through combined consideration of the succession process, we can see the whole process whereby one generation of the family business achieves competitive advantage. Then we can extend the process from generation N to generation N+1, and achieve the sustainable development of the family business. So, based on the Family business sustainable development conceptual model 1 and conceptual model 2, we put forward the Family business sustainable development conceptual model 3 (Figure 15).

Figure 15 Family business sustainable development conceptual model 3



Source: Edit by the author

As shown in Figure 15, in order to achieve the sustainable development, the family business has to keep a continuously competitive advantage. In generation N, social capital helps the family business to sense the outside opportunities or threats, helps the family business to seize valuable, rare, inimitable, and non-substitutable (VRIN) resources to achieve the competitive advantage. What is more, social capital also helps to re-configure the organization to suit the dynamic environment. Through the succession process, the

family business passes to generation N+1. Based on the succession and development of social capital, the generation N+1 family business has the social capital, the sensing capability, seizing capability, and reconfiguring capability. And thus, the generation N+1 family business gets the competitive advantage and achieves sustainable development.

3.2.2 Proposition

With the further expansion of economic globalization, Chinese family businesses will face a more intensely competitive market environment. In order to survive and develop, they must continue to carry out activities with social capital and dynamic capability. Therefore, a basic and important research problem is how family businesses can achieve an ongoing competitive advantage and, ultimately, realize their own sustainable development.

Based on the literature review and conceptual models as shown in Figures 13, 14 and 15, we will present our proposition from four aspects to fully cover the contents of this thesis.

1. The relations between social capital and dynamic capabilities

Proposition 1.a: In Chinese family business, the embedded resources have a positive impact on sensing the opportunities or threats.

Proposition 1.b: In Chinese family business, the embedded resources have a positive impact on seizing the opportunities or other related information.

Proposition 1.c: In Chinese family business, the embedded resources have a positive impact on reconfiguring the resources and process.

Proposition 2.a: In Chinese family business, the network locations have a positive impact on sensing the opportunities or threats.

Proposition 2.b: In Chinese family business, the network locations have a positive impact on seizing the opportunities or other related information.

Proposition 2.c: In Chinese family business, the network locations have a positive impact on reconfiguring the resources and process.

Proposition 3.a: In Chinese family business, Guanxi has a positive impact on sensing the opportunities or threats.

Proposition 3.b: In Chinese family business, Guanxi has a positive impact on seizing the

opportunities or other related information.

Proposition 3.c: In Chinese family business, Guanxi has a positive impact on reconfiguring the resources and process.

2. The relations between dynamic capabilities and competitive advantage.

Proposition 4: In Chinese family business, dynamic capability has a positive impact on achieving competitive advantage.

3. The relations between the social capital and competitive advantage.

Proposition 5: In Chinese family business, Guanxi has a positive impact on achieving competitive advantage.

4. The succession of social capital and the succession of dynamic capability.

Proposition 6: In Chinese family business, Social capital is one kind of dynamic capability.

3.3 Research methods

3.3.1 Research object

As mentioned in the literature review, this research is focused on the family business, and the research on family business is complex.

First, family business is an organization with clear economic goals and special economic behavior. Meanwhile, it has an inseparable link with the family and, therefore, as a living, emotional and social family, undoubtedly many non-economic factors will be introduced into the enterprise. The family is almost ubiquitous in affecting the organization's goals, strategies, structures and behaviors. In fact, based on the framework of transaction cost theory, the complex internal strata organization is still far from being fully explained. At the same time, a family business is obviously an organization that has more features than a normal enterprise, and has a more complex operational process than others in the general sense.

Second, family business is an all-encompassing concept that covers both globally operating multinational companies such as Wal-Mart, and small shops. It includes family businesses with a succession history of many generations, and also includes small family business just starting. It includes enterprises where almost all the family members are involved in the business, and also includes enterprises in which family members do not have management rights, but have the ownership. Thus, trying to find some

commonalities or differences and theoretical logic among these varied family businesses, is clearly complex.

Finally, the complexity of the study also lies in the fact that family business is inextricably linked to family and society. Therefore, research in this area may involve cross-cutting through the fields of economics, management, organizational theory, behavioral science, psychology, and sociology etc.

3.3.2 Research methods

This study examines how social capital and dynamic capability affect the sustainable development of a family business, and how the core family transfer the social capital, and dynamic capability to the next generation. Using a qualitative case study approach consisting of in-depth, semi-structured interviews and analyzing the data with content analysis methodology (Strauss and Corbin, 1998; Corbin and Strauss, 2008), we conducted research that is designed to add to the existing theory on family firms' succession.

3.3.2.1 Qualitative research

Different research purposes require different research designs and analysis techniques (Knafl and Howard, 1984). In this study, we have adopted the qualitative research approach.

Qualitative research is oriented towards analyzing concrete cases in their temporal and local particularity, starting from people's expressions and activities in their local particularity. Therefore, qualitative research is in a position to design ways for psychology and social sciences to make concrete the tendencies that Toulmin mentions, to transform them into research programs and to maintain the necessary flexibility towards their objects and tasks.

3.3.2.2 Case study

The use of case studies in family business research is well established (Barach and Gantisky, 1995; Dunn, 1999; Lambrecht, 2005; Steier and Miller, 2010). The case study approach lends itself to a flexible research program aimed at understanding how social capital or Guanxi affect dynamic capability, and is appropriate to investigate the 'how' and 'why' questions (Eisenhardt, 1989), using actors involved in the process as a

reference point (Howorth and Ali, 2001).

Case study investigators seek to use localized findings to articulate global significance (Chenail, 2009) through “an empirical inquiry that investigates a contemporary phenomenon within its real-life context” (Yin, 2003). Eisenhardt (1989) proposed that case study researchers may choose cases that are likely to replicate or extend theory, rather than examine cases selected randomly as in quantitative survey analysis. Researchers should strategically select cases that are relevant to the theory (Patton and Applebaum, 2003), resulting in qualitative samples that enhance the goal of developing theory, rather than testing it (Eisenhardt and Graebner, 2007). This strategy helps researchers explore complex interrelationships in particular cases, and increasing the number of cases examined adds confidence to the findings of the study until researchers find a point at which responses become repetitive, in which case additional cases add relatively little. Eisenhardt (1989) proposed that while there is no ideal number, examining between 4 and 10 cases is effective. In this study, we will exam 17 cases.

3.3.2.3 Content analysis

Content analysis has a long history in research, and dates back to the 18th century in Scandinavia (Rosengren, 1981). In the United States, content analysis was first used as an analytic technique at the beginning of the 20th century (Barcus, 1959). Initially, researchers used content analysis as either a qualitative or quantitative method in their studies (Berelson, 1952). Later, content analysis was used primarily as a quantitative research method, with text data coded into explicit categories and then described using statistics. This approach is sometimes referred to as the quantitative analysis of qualitative data (Morgan, 1993) and is not our primary focus in this study. More recently, the potential of content analysis as a method of qualitative analysis for health researchers has been recognized, leading to its increased application and popularity (Nandy and Sarvela, 1997).

Qualitative content analysis is one of the numerous research methods used to analyze text data. Other methods include ethnography, grounded theory, phenomenology, and historical research. Research using qualitative content analysis focuses on the characteristics of language as communication with attention to the content or contextual meaning of the text (Budd, Thorp and Donohew, 1967; Lindkvist, 1981; McTavish and Pirro, 1990; Tesch, 2013).

Text data might be verbal, printed, or in electronic form and might have been obtained from narrative responses, open-ended survey questions, interviews, focus groups, observations, or print media such as articles, books, or manuals (Kondracki and Wellman, 2002). Qualitative content analysis goes beyond merely counting words, to examining language intensely for the purpose of classifying large amounts of text into an efficient number of categories that represent similar meanings (Weber, 1990). These categories can represent either explicit communication or inferred communication. The goal of content analysis is “to provide knowledge and understanding of the phenomenon under study” (Downe-Wamboldt, 1992).

If data are collected primarily through interviews, open-ended questions will be used. Probes also tend to be open-ended or specific to the participant’s comments rather than to a preexisting theory, such as “Can you tell me more about that?” Data analysis starts with reading all the data repeatedly to achieve immersion and obtain a sense of the whole (Tesch, 2013) much as one would read a novel. Then, the data are read word by word to derive codes (Miles Huberman, 1994; Morgan, 1993; Morse and Field, 1995) by first highlighting the exact words from the text that appear to capture key thoughts or concepts. Next, the researcher approaches the text by making notes of his or her first impressions, thoughts, and initial analysis. As this process continues, labels for codes emerge that are reflective of more than one key thought. These often come directly from the text and then become the initial coding scheme. Codes are then sorted into categories based on how the different codes are related and linked. These emergent categories are used to organize and group codes into meaningful clusters (Coffey and Atkinson, 1996; Patton, 2002). Ideally, the numbers of clusters are between 10 and 15 to keep clusters broad enough to sort a large number of codes (Morse and Field, 1995).

Depending on the relationships between subcategories, researchers can combine or organize this larger number of subcategories into a smaller number of categories. A tree diagram can be developed to help in organizing these categories into a hierarchical structure (Morse and Field, 1995). Next, definitions for each category, subcategory, and code are developed. To prepare for reporting the findings, exemplars for each code and category are identified from the data. Depending on the purpose of the study, researchers might decide to further identify the relationship between categories and subcategories based on their concurrence, antecedents, or consequences (Morse and Field, 1995).

The content analysis includes three types of coding approaches: conventional content analysis; directed content analysis; and summation content analysis. The key

differences between conventional, directed, and summative approaches to content analysis center on how initial codes are developed. In a conventional content analysis, categories are derived from data during data analysis. The researcher is usually able to gain a richer understanding of a phenomenon with this approach. With a directed content analysis, the researcher uses existing theory or prior research to develop the initial coding scheme prior to beginning to analyze the data (Kyngas and Vanhanen, 1999). As analysis proceeds, additional codes are developed, and the initial coding scheme is revised and refined. Researchers employing a directed approach can efficiently extend or refine existing theory. The summative approach to content analysis is fundamentally different from the prior two approaches. Rather than analyzing the data as a whole, the text is often approached as single words or in relation to particular content. An analysis of the patterns leads to an interpretation of the contextual meaning of specific terms or content. We can see the major coding differences between the three approaches to content analysis in Table 10.

Table 10 Major coding differences among three approaches to content analysis

Type of Content Analysis	Study Starts With	Timing of Defining Codes or Keywords	Source of codes or keywords
Conventional content analysis	Observation	Codes are defined during data analysis	Codes are derived from data
Directed content analysis	Theory	Codes are defined before and during data analysis	Codes are derived from theory or relevant research findings
Summative content analysis	Keywords	Key words are identified before and during data analysis	Keywords are derived from interest of researchers or review of literature

Source: Hsieh and Shannon (2005)

In this research, we will follow the directed content analysis approach. The codes are defined before and during data analysis, and the codes are derived from theory or relevant research findings.

The encoding process demands time and attention on the part of the researcher, and can lead to errors in the application of codes to the text under analysis. To avoid such

errors, we use the software of MAXQDA for data analysis. MAXQDA is professional software for qualitative, quantitative and mixed-method data analysis for Windows and Mac, which is used by thousands of people worldwide. Released in 1989, it has a long history of providing researchers with powerful, innovative and easy to use analytical tools that help make research projects successful through analyzing interviews, reports, tables, online surveys, focus groups, videos, audio files, literature, images and more.

3.3.3 Data collection, analyzing and coding

3.3.3.1 Data collection

In this thesis, we conduct research on the sustainable development of Chinese family businesses. The following strategy was used for each family business.

First, we selected a firm and ascertained whether the firm met the requirements of the study as a family business. Overall, 17 cases were selected, covering 8 provinces of China. Three provinces are from the east of China, which are in the developed areas of Zhejiang province, Guangdong province and Jiangsu Province. Three provinces are from the middle of China, which are the medium-developed areas of Hu Bei province, He Nan province and He Bei province. And two provinces from the southwest of China, which are the developing areas of Si Chuan province and Gui Zhou province.

Then, an exploratory interview was conducted with the owner or the chief executive officer of the firm to determine their willingness and compatibility for the study. If this phase was satisfactory, we proceeded to the second phase, which involved interviewing the family member(s) in the top management team. The primary data collection method consisted of semi-structured qualitative interviews with the leadership in the firm. These interviews were supplemented by observation of the participants and company documents.

With regard to in-depth interviews, we tape recorded individual, in-depth interviews with family members and the family member(s) in the top management team of each firm, totaling 31 participants. We transcribed about 21 hours of interviews, varying in length from 40 minutes to 2 hours, and averaging 42 minutes each.

As for observations and documents, we informally observed the core family and their social network in connection with the research process and observed the relations and interactions of different generations in each family firm throughout the process. Field

notes and informal conversations complemented the taped interviews. The enterprise was asked to supply company documents, as well as newspaper and magazine articles, advertisements, and company catalogs. As necessary and appropriate, we also gathered documentary information independently. Where observations and documents about each company were collected, these were supplemental in nature. The in-depth interview transcriptions formed the basis of the data analysis.

Based on the in-depth interview and the data collection, we obtained the basic information about each family business as shown in Table 11.

Sustainable Development of Chinese Family Businesses: A Dynamic Capability Approach

Item		Location	Founding Year	Industry Main business	Number of employees and annual revenue	Ownership, management and Family involvement	Succession
Family Business							
1	Chunan Wire and Cable Co., Ltd.	Hu Bei Province, Wuhan	2008	Wire and cable production	58 employees, 5.8 million €	Mother is the chairman of the board, and owns a 51% share. The other family members own 49% share. Father is the General Manager and Chief Financial Officer. Uncle is the factory director. Aunt is responsible for purchasing and financial management Aunt is responsible for marketing.	First generation to second generation
2	SARINA	Zhe Jiang Province, Ning Bo	1985	Electronic household appliances	10 employees, 5.5 million €	Father is the CEO and has 100% of the share of the chain stores. Mother is responsible for the finance. Wei is organization his own business.	Second generation
3	GWBG Co., Ltd.	Zhe Jiang Province, Jia Xing	1996	Construction and hotel industry	129 employees, 2.5 million €	Grandfather is in charge of the construction company, 100% share. Father is the chairman of the board of the Hotel, has 60% share of the hotel. Mother is the CEO of the Hotel, has 40% share of the hotel. Uncle is responsible for the procurement. Aunt is responsible for inventory management. One cousin is responsible for finance. One cousin is responsible for the Hotel operation.	Second generation to third generation
4	Wade Fitness Management Co., Ltd.	He Nan Province, Zhengzhou	2009	Sports Fitness	50 employees, 1 million €	Father is the chairman of the board, and has an 80% share. One friend has a 20% share. Mother responsible for financial management. Uncle is responsible for logistics management. CEO is a hired professional manager.	First generation to second generation

Sustainable Development of Chinese Family Businesses: A Dynamic Capability Approach

Item	Location	Founding Year	Industry Main business	Number of employees and annual revenue	Ownership, management and Family involvement	Succession	
5	Baicheng Trading Company	He Nan Province, Zhengzhou	2004	Highway construction and building materials trade	50 employees, 5 million €	Wife is the chairman of the board, and has 70% of the share. Husband is the CEO and has 30% of the share.	First generation
6	Hou Pu Stationery Co., Ltd.	He Bei Province, Shi Jiazhuang	1989	Stationery production and sales	50 employees, 7.7 million €	Husband is the chairman of the board, and has 95% of the share. One uncle manages one store and has 5% of the share. Mother is responsible for the financial management.	Second generation to third generation
7	European and American Steel Structure Curtain Wall Technology Co., Ltd.	Jiang Su Province, Xu Zhou	2014	Construction industry	87 employees, 3 million €	Husband is the chairman of the board, and has 100% of the share. Wife responsible for the financial management. Brother is responsible for sales, business negotiation and arrears management. Sister-in-law is responsible for material procurement.	First generation to second generation
8	Xintong Auto Parts Co., Ltd.	Jiangsu Province, Danyang	1996	Auto parts production	160 employees, 10 million €	Father is the chairman of the board, and has 50% of the share. Mother is responsible for the financial management, and has 30% of the share. Sun is the operation manager and has 20% of the share.	First generation to second generation

Sustainable Development of Chinese Family Businesses: A Dynamic Capability Approach

Item Family Business		Location	Founding Year	Industry Main business	Number of employees and annual revenue	Ownership, management and Family involvement	Succession
9	Sino beacon Lighting Co., Ltd.	Guang Dong Province, Zhong Shan	2003	Lighting industry and Soft magnet production	120 employees, 12.8 million €	Mr. Zhang is the CEO and has 100% of the share of the Lighting company. Father is the chairman of the board of the Soft magnet factory and has its 100% of the share. Mother and wife are responsible for the financial management. Uncle is responsible for the operations management of the factory.	Second generation
10	Cheng Xin Group	Si Chuan Province, Chengdu	1994	Real estate, engineering construction, financial investment, hotel catering, cultural media	2000 employees, 64 million €	Hu family has 100% of the share. Hu is the chairman of the board. Hu's classmate is the CEO. Brother is the vice CEO.	Second generation
11	Fusen-Noble House	Si Chuan Province, Chengdu	1986	Home and building materials	500 employees, 38 million €	Brother is the chairman of the board and has 54% of the share. Sister is the vice chairman of the board and has 36% of the share. Liu is the CEO and has 10% of the share.	First generation to second generation
12	Binvalley group	Si Chuan Province, Chengdu	2003	Engineering, Science and Technology, Business, Investment, Finance, Culture	320 employees, 14 million €	Mr. Bin is the funder, the chief director of the company and he has 80% of the share. The 10% share is owned by rest family members, and 10% share is for the professional managers. Wife is the director. Brother is the former standing deputy executive manager of engineering business segment. Uncle is general manager of technology business segment One schoolmate is the assistant of president. The wife of owner's brother-in-law is the manager of procurement department of culture and tourism business segment.	First generation

Sustainable Development of Chinese Family Businesses: A Dynamic Capability Approach

Item		Location	Founding Year	Industry Main business	Number of employees and annual revenue	Ownership, management and Family involvement	Succession
Family Business							
13	Yu Xin Machinery Manufacturing Co., Ltd.	Si Chuan Province, De Yang	1980	Metallurgy, electronic matching, mining	300 employees, million €	Father is the chairman of the board. Li is the General manager and has 60% of the share. Older sister has 25% shares and is a cashier in the company. Younger sister has 15% share. Wife is the CFO.	Second generation
14	Qiankun Group	Si Chuan Province, De Yang	1994	Housing Construction, Municipal Public Works, Machinery Manufacturing	3000 employees, 128 million €	Father is the Chairman of the board, and has 60% of the share. Xie is the CEO and has 20% of the share. Mother is the supervisor and has 30% of the share.	Second generation
15	Barrett Education Consulting Co., Ltd.	Si Chuan Province, Le Shan	1992	Educational Consulting, real estate, catering industry	600 employees, 25 million €	Father is the chairman of the board, and has 90% of the share. The other family member and CEO have the rest 10% share. One uncle is responsible for the procurement. Another uncle is responsible for logistics. One aunt is responsible for private school finance. Mother is responsible for corporate finance.	Second generation
16	Jason Building Materials Co., Ltd.	Gui Zhou Province, Gui Yang	2004	Consumer product and retails	49 employees, 4 million €	Xing is the chairman of the board, and has 80% of the share. Wife is responsible for finance, and has 20% of the share. Brother is responsible for purchasing.	First generation
17	Xiangsheng Industrial Co., Ltd.	Si Chuan Province, Chengdu	1988	E-commerce, agriculture etc.	200 employees, 9 million €	Mother is the chairman of the board, and has 60% of the share. Father is responsible for marketing, and has 30% of the share. The rest share is owned by the other family members and professional manager.	Second generation

Table 11 Basic information about each family business

Source: edit by the author

3.3.3.2 Data analysis

Concerning the data analysis, we will analyze each case separately to understand the interaction of social capital and dynamic capability, and the succession situation of each firm by writing complete case histories for each respondent firm (these are available upon request). This is an extensive and time-consuming step of the analysis. Next, we use content analysis of the data to look for patterns or core consistencies and meanings across the cases. Based upon a careful examination of the transcribed interviews, we code and analyze the data, using the MAXQDA2018 qualitative software program.

As mentioned above, the content analysis includes three types of coding approaches: conventional content analysis; directed content analysis; and summation content analysis.

With regard to the directed content analysis, we use existing theory or prior research to develop the initial coding scheme prior to beginning to analyze the data (Kyngas and Vanhanen, 1999). As the analysis proceeds, additional codes are developed, and the initial coding scheme is revised and refined. By employing a directed approach, research can efficiently extend or refine existing theory.

In this research, we will follow the directed content analysis approach. So, the codes are defined before and during data analysis and the codes are derived from theory or relevant research findings.

3.3.3.3 Coding

Based on the conceptual models we propose, we will further define the variables and operate measurement items for each variable, in accordance with earlier research in concrete contexts. To clarify, this research aims to explore the relations between social capital and dynamic capability and succession in order to construct a mechanism to achieve sustainable competitive advantage of the family business.

As mentioned in the literature review, and based on the definition of social capital, Lin (1999) put forward two principal approaches to measure the social capital as assets captured by individuals in social networks as shown in Table 8. One approach is to measure the network resources and contact statuses, and focuses on the embedded resources. The other approach is to measure the strength of ties and bridges, or how access to bridges facilitates returns in actions, and

focuses on the network locations.

As far as the dynamic capability is concerned, our literature review shows that the most common categorization in the literature is offered by Teece (2007), who defined three categories of complementary dynamic capabilities: sensing capability (which make it possible to scan and monitor changes in the environment); seizing capability (which enables the construction of decision-making protocols and the assimilation of knowledge); and re-configuring capability (which enables firms to re-combine their resources and knowledge).

With regard to succession, as discerned in the literature review, we study it from three dimensions. They are social capital, knowledge, ownership and management right.

Based on the literature review and the conceptual models and the hypothesis that we outlined above, the codes in our research are shown as follows (Table 12). In the field research, we will code the records according to the coding table.

Table 12 Coding

Dynamic capability	Sensing
	Seizing
	Re-configuring
Social Capital	Embedded Resources
	Network locations
	Guanxi
Succession	Social capital
	Knowledge
	Ownership and management right

Source: edit by the author

Based on the coding rules mentioned above, we input all the cases into the MAXQDA and code them accordingly. The simple statistical description of the code is shown in Table 13. More

information can be found in the appendix.

Table 13 the simple statistical description of the code

Color	Code	Coded segments of all documents	% Coded segments of all documents	Documents
•	Succession\Ownership and management right	47	3,15	9
•	Succession\Knowledge	72	4,82	14
•	Succession\Social capital	88	5,89	14
•	Social Capital\Guanxi	135	9,04	17
•	Social Capital\Network locations	135	9,04	17
•	Social Capital\Embedded Resources	131	8,77	17
•	Dynamic capability\Re-configuring	65	4,35	17
•	Dynamic capability\Seizing	127	8,50	17
•	Dynamic capability\Sensing	134	8,97	17
•	Competitive Advantage	129	8,63	17
•	Succession	97	6,49	14
•	Social Capital	201	13,45	17
•	Dynamic capability	133	8,90	17

Source: MAXQDA

3.4 Summary

In this chapter, based on the literature review, we put forward the conceptual model, the variable and the propositions of the study. And we also confirm the use of the qualitative case study approach consisting of in-depth, semi-structured interviews and analysis of the data using content analysis methodology in the research. In addition, this chapter also introduces the process of data collection and the MAXQDA analysis software, which we use in the data analysis.

Chapter 4: Field work

4.1 Introduction

In this chapter, we will cover the field research. First, we will explain the development background of Chinese family businesses. Second, we will analyze the relation between social capital, dynamic capability, and competitive advantage in two key phases. Third, we will combine the two phases to find the sustainable development approach for Chinese family businesses.

4.2 The Modern Development History of Chinese Family Business

Due to the external factors of the social environment, Chinese family businesses disappeared for some decades in the last century. Meanwhile, Chu (2000) thought that since the family business system re-appeared in China, familyism and pan-familyism have existed in a different or latent form. That is to say, they never completely disappeared in China, even in the planned economy period, and family businesses have had a significant influence on political and economic activities.

So, in order to conduct research about the sustainable development of Chinese family businesses, we have to thoroughly understand its modern development history.

Many scholars have researched the modern development history of Chinese family businesses. Ma (2009) classified it into five periods: before 1949, it is birth and growth; then from 1949 to 1978, it is the disappearance of the private economy from mainland China; then from 1978 to 1987, the government allowed the development of private economy and the family business was reborn; from 1988 to 1992, the government encouraged private economy and family businesses developed tenuously; and finally, after 1992, family businesses developed stably.

This development history of Chinese family business can be divide into four stages: the first stage is before the establishment of the People's Republic of China (before 1949); the second stage is from the founding of the People's Republic of China to the Open Door Policy (1949-1978); the third stage is from the Open Door Policy to Deng Xiaoping's southern tour speech (1978-1992); and the fourth stage is from Deng Xiaoping's southern tour speech to now (1992 - Now).

4.2.1 Chinese family business before 1949

In traditional Chinese society, the family institution played a very important role as an indispensable auxiliary power of the feudal regime in political and economic life. In the economic

structure of self-sufficiency, production technology, especially handicraft production techniques, was first and foremost a family affair. Family handicraft production was special to the Ming and Qing Dynasties, who monopolized production technology. The formation of family brands then extended to include the He family's cloth in the Goulan alley of Beijing, the Chen family's jewellery in the Qianmen Bridge, the Lee family's caps in the Twin Towers Temple, the Dang family's shoes in the Dong Jiang Mi Cang, the Song family's boots in the Da Shi Lan, and Diao's pill in the Emperor's Temple. These were all famous for a while, and family capital was then in the tens of thousands.

Generally speaking, however, the handicraft industry which developed over thousands of years has failed to establish a modern industrial economy in China. There are at least three reasons for this: first, the household management approach of the centralized family extended to state governance, with the rulers and ministers being regarded as the fathers and sons, and the country as a family. The adjustment of interpersonal relationship with any material interest was not approved of; the second involves cultural traditions that think highly of politics while looking down on agricultural, industrial and commercial activities. Business ranks at the end of the four kinds of activities. Business has no social status in China's traditional Confucian culture; the third and final reason is that in the feudal family, there was always a strong support for a conservative family secret and the secrets of a family are only inherited within the family. So, the technology innovation was very slow. The feudal family regime and the development of the family handicraft industry together formed the initial stages of family business, but found it hard to grow into a modern enterprise.

In the last Qing Dynasty, the government created a good environment for the private economy to develop, so all private enterprises including family business enjoyed a good period of development. Most of them first invested in light industries, such as flour, cigarettes, cotton and matchsticks, because those industries required less investment and produced positive gains sooner. Meanwhile, however, Chinese private enterprises were struggling under the pressure of the internal feudal regime, bureaucratic capital and external imperialism at that time.

In the Anti-Japanese war and the Liberation War, bureaucratic capital mainly referred to the private capital and private economic activities of the Nationalist Party. The top four Chinese families were the Jiang Family, the Song Family, The Kong Family and the Chen Family. These top four bureaucratic families tried to control the national economy by using suppression,

exclusions and mergers.

In such a complex era, Chinese family business struggled to survive but still managed to grow stronger. For example, the Rong Family showed up during this period of time. Rongshi enterprise is the most powerful and largest private enterprise in China, and it was a family business with a remarkable position in the history of China's national industry. It was the biggest company in the flour industry and cotton spinning industry and earned the sobriquets of "Flour King" and "Cotton King." Rong Zongjing, one of the founders of Rongshi, together with his younger brother Rong Desheng, developed the Rongshi enterprise into a large and well-funded family business. Rong Zongjing (1873 - 1938) entered a private school at the age of 7. When he was 14 years old, he became an apprentice and worked in the Shanghai Sentairong Bank. Having been put in charge of business and contacting customers, he learned a lot about fund allocation, cotton and wheat production and marketing knowledge. What's more, he accumulated his own social capital, which was the important resource for laying a solid foundation and helped him to sense the opportunity, seize the resource and build his own business.

4.2.2 Chinese family business from 1949 to 1978

Since 1949, the establishment of new China, China learned and reproduced the Soviet economic model. It implemented the planned economy system in the allocation of resources, state ownership, collective ownership in cities and towns, and rural people's commune system of ownership of means of production. This meant that individuals could not hold private property, and all the outcome of labor would be divided equally.

After the founding of the People's Republic of China, and until "the First Five-Year Plan" period, Chinese family business as the representative of national industry and commerce had a period of about four years of peaceful coexistence and competition development with the newly nationalized industries on the impact of the "Theory of Comprehensive Economic Foundations". But this did not last long for after a while, "leftist" ideology gradually gained the upper hand, and family business after the restoration of capitalism was often subject to serious attacks. In 1953-1956, China made the socialist transformation to agriculture, handicraft industry and Capitalist industry and commerce. The socialist transformation of capitalist industry and commerce is the key point of three big transformations. China had basically completed the private transformation and public-private joint operation by the end of 1956, which symbolizes that China, entered into

the socialist primary exploration stage of the pure public ownership system.

China's choice to be self-enclosed in foreign relations caused more havoc due to the ten-year "Cultural Revolution", which led China's national economy almost to the point of collapse before 1978. While in 1948, China's average per capita GDP ranked 40th in the world, by 1978 China's average per capita GDP ranked next to last in the world, and only about 66% of India's.

During this period, most of the family businesses disappeared or were "lurking underground", and gradually exited the stage of history. Meanwhile, however, the inherited social capital, knowledge and other intangible resources remained within the family.

4.2.3 Chinese family business from 1978 to 1992

In 1978, the Third Plenary Session of the Eleventh Central Committee of the CPC clearly stated that the mission of the Communist Party of China in the new period was to guide China into a modern, strong socialist country. After that, China established the route of placing economic construction at the center and implementing the open-door policy, which allowed a variety of economic forms to simultaneously coexist and develop together. A group of individual operators in specialized town and rural households that could not get into enterprises and public institutions within the system, began to seek a way out and in the process, opened a door to becoming rich.

In 1982, the 12th National Congress of the Communist Party of China recognized the benefits of the supplementary role the private economy provided to the socialist public economy, and the private economy gradually gained the government's recognition and official support. Private enterprise became more extensive in operation than sole proprietorships, and began to become more apparent while developing rapidly and spreading across the country. When the government acknowledged the legal status of the private economy, private enterprises and sole proprietorships gained further recognition and growth.

In 1987, the legitimacy of the private economy was recognized in the report of the 13th National Congress of the Communist Party of China, and it became basic policy to encourage, protect, guide and manage the private economy.

In 1988, the number of private enterprises reached 90,582, accounting for about 1,640,000 jobs. Most of these private enterprises were run by family, and family business played an irreplaceable role in the market, solving unemployment issues and enhancing market awareness at this time. The rise in family economic activities also pushed China into the initial stage of the

market economy. Meanwhile, however, market growth was not mature and the market system needed to be improved. Essentially, the market was in disorder, and farmers lacked the appropriate knowledge and experience. Some leaders of local governments wanted to get rich quickly and were eager for success and instant benefits, so they overlooked the importance of management and paid attention to quantity instead of quality. As a result, most enterprises were not proficient in management and technology development.

Since 1989, through constant reform and market regulation, family businesses that possessed advanced manufacturing equipment and had rich experience in manufacturing survived, and the state began to rectify the economic order. Nevertheless, the development of family business still met with some problems, such as shortage of funds, raw material tension and triangular debts. Meanwhile, with the political turmoil in 1989, Chinese family businesses encountered difficulties and setbacks, and reached a point of stagnancy. Based on the survey of the National Bureau of Statistics of China, beginning in 1989, private enterprise declined and developed slowly. The number of the national registered private enterprise was 90,630 households at the end of 1989, 14% lower than that of 1988 and by June 1990, the number had dropped to 88,000 households.

From 1979 to 1992, the country's 14 million individual industrialists and businessmen who operated with the family as a unit in towns took the first step in the development of the Chinese family business. Family business finally enjoyed an excellent period of development and it was welcomed like a spring breeze. In a certain sense, the family businesses that grew up after the open-door policy walked along a road of "history of turning back". They were reborn from the "underground economy", to gradually become one of the most active enterprise organization shapes after ten years of rapid development in current day China.

During this period, production within Chinese family workshops was normally small in scale, and at this time, private enterprises were often formed and developed under sole proprietorship. Besides, most Chinese family businesses in this stage preferred to wear a "red hat" for protection, the reason for this apparently being to avoid the risk of social conflict. For one thing, the growth of a family business required a certain "soil", and for another, the property rights of the family business were not clearly defined so they had to accumulate and use their social capital.

4.2.4 Chinese family business after 1992

After the reforms and opening-up policies, there was the widespread promotion of the Household-responsibility System and a gradual growth of the market economy. In view of this, capital, technology, and factors of production such as labor force and land, as well as other production elements entered the market freely and there was unrestricted flow. The typical form of family businesses which were established on the basis of employment, developed and grew in number. However, the scale of their expansion although unceasing went through a process of gradual development. The emergence of the private economy is an important sign that the family business is developing. According to the 6th private enterprise's annual report of the Private Enterprise Research Center of the Chinese Academy of Social Sciences, by the end of 2004, the number of private enterprises with national registration was 3.651 million, had a registered capital of 4.7936 trillion Yuan, employed 50.17 million people in total, and had an output value of 2.305 trillion Yuan. However, according to a sample survey jointly organized by the Chinese Academy of Social Sciences, the Sociological Research Institute and the Office of National Federation in 2002, conducted in 1997 of small and medium-sized private enterprises on the Chinese mainland's 250 cities in 21 provinces, municipalities and autonomous regions, close to 80% of enterprises were a family business or a pan-family business, and most enterprises implemented the family system of management.

After Deng Xiaoping's "Southern Tour Speech" in the spring of 1992, from "the useful supplement of the Socialist Public Economy" to "the important components of socialist market economy", the status and role of the non-public economy was further clarified. The 14th congress of the communist party of China held in 1992 not only set the objectives of the reform of the socialist market economic system, but also led to the private economy starting to gain equal status with the public economy system. The launch of the decisions on a number of issues about the establishment of a socialist market economic system by the CPC Central Committee in 1993, led to the income of private entrepreneurs obtaining legal protection. At this stage, family business as the main private enterprise showed more rapid development, compared with 1991. The total increase in China's family businesses was 853,000 in the six years between 1992 and 1997. The number of employed increased by 1,654 million, and the registered capital increased to 501.69 billion Yuan. At the end of 1997, the number of nationally registered family businesses was 961,000, employing 13.493 million people, with registered capital 514.01 billion Yuan (Yu, 2006).

With the passing of the Corporation Law of 1993, the Township Enterprises Law of 1996, and the Sole Proprietorship Enterprise Law in 1997, tax reform unified the enterprise income tax in 1994, and canceled the tax discrimination against private enterprises. Family businesses obtained a greater degree of improvement in the external environment and internal institution during this period. In this stage, boutique shops and small workshops continue to flourish, with production-oriented, export-oriented, science and technology enterprise becoming more common; examples being the small and medium-sized enterprise clusters in Zhejiang province. Medium-scale enterprise had widely existed, and there emerged a lot of large enterprises and enterprise groups with assets of over ten million Yuan or over one hundred million Yuan, such as the Xiwang Group, Zhengtai Group, Delixi Group and other family businesses. These strong family businesses began to vie for market share in order to build huge enterprises. In order to reduce the risk and obtain more profits, they all resorted to diversification development. The birth of the new financial institutions and the reform of bank commercialization induced family businesses to move away from their past practice where they relied solely on their own funds to develop. The Dongfang Group was listed in 1994, and this became the prelude for private family business to buy shares on the market to finance businesses. At the same time, family businesses emphasized quality and brand, and they began to pay more attention to building their brand and advertising. They started to step into the high-tech arena and this became one of their most important strengths. Technical innovation was greatly valued and became a new method that private family businesses employed to fight for greater market share. This was used by the likes of Lenovo and a large number of other scientific and technological enterprises. In the mid-1990s after the restructuring of state-owned enterprise and township enterprise, a batch of state-owned small and medium-sized enterprises were privatized. All or most of the ownership and control of township collective enterprise transferred from the local government to family enterprises, which created a large number of new types of family businesses. The loose and stability policy also led to many enterprises removing their "Red Hats" and to clear property rights.

The entrepreneurs of this period had mostly worked in the government or for state-owned enterprises. They were the people with the professional skills and technical knowledge, and they were the main force behind the running of the private businesses. These kinds of private owners were highly educated and very cultured, qualities they had acquired through their previous positions. They also had their own social capital, management experience and the technical ability

which gave them even greater advantage in the purchase and sales network. Then in the 1990s, in the speculation business of raw material, many people earned the market price difference through buying low price goods and selling them on at a higher price. Following from that was the speculation business in real estate and stocks, and others made huge profits which led to the sudden appearance of a wealthy elite. Of course, some far-seeing entrepreneurs started internal reform of their family business, such as Nan Cunhui, the owner of the Zhengtai Group who began his family property adjustment and reform in 1996, and gradually diluted the Nan family's equity. Yang Jiqiang, the owner of the Lanzhou Yellow River Group, brought in professional managers and planned to list the company. As the entrepreneurs of this era enhanced their economic status, they began to pursue political status. Some entrepreneurs entered the National People's Congress, the Political Consultative Conference or the Federation of Industry and Commerce. Some joined the glorious cause that supported Poverty Alleviation or became prominent in charitable activities. They all hoped to obtain a sense of refuge and sense of security in politics. But since 1996, some family businesses started blind expansion and diversification with management development imbalances. Fei Long, Ju Ren, San Zhu, the Sun God became the meteors of the period.

In general, this period can be called the naive market stage. While the shortage of goods in the economy heightened market demand, the consumer groups were not mature at the time and the majority of business owners who become rich first during this period were the beneficiaries of the market environment. This also brought their attention to the relationship with and the neglect of human capital. Human resources management was very random and the paternalism in family management was very popular. But the form of family business organizational structure had been greatly improved under the standard of company law.

In 1997, The 15th congress of the Communist Party of China explicitly pointed out that non-public enterprise is an important component of China's socialist market economy, and that together with public ownership as the main body, it added to the diverse forms of ownership and economic development as a basic economic system for the primary stage of socialism in China.

In 1998, the number of private enterprises exceeded one million, reaching more than 1.2 million households (Chen and Ying, 2003). Three laws that were adopted, such as Company Law, Partnership Enterprise Law, and Individual Sole Proprietorship Enterprise Law. That marked the start of China's legislation regarding individual ownership, which gradually became an investment mode and form of responsibility. In law, the private economy basically won equal status with the

public economy system.

In 1999, the first conferences of the ninth National People's Congress passed a constitutional amendment confirming the status and functions of the individual and private economy as an important component of the socialist market economy in the constitution. Thus, Chinese private family economy entered a new rapidly developing track.

In 2000, the country stopped levying enterprise income tax from individual sole-source investment enterprises and partnership enterprises. Only the personal income that an enterprise investor obtained in the process of production and operation would be taxed. This avoided the previous double taxation of private family enterprise, and encouraged the development of private family businesses.

In 2001, the "Approval System" opened the door to the Chinese family business security market being listed directly, and a second tier of the Hong Kong stock market also opened to mainland private enterprises. This not only broadened the financing channels but also led to them getting more abundant capital support and more effective supervision. More and more family businesses listed for financing one after the other. In the same year, China successfully joined the WTO, which brought the wider international market to Chinese family business. At the same time, however, it also brought the impact and the challenge of globalization, which forced family businesses to strengthen their investment in technical management innovation, and improve their product and service quality. Family businesses also faced an unprecedented challenge with regard to intellectual property rights, and it became an urgent matter for many enterprises to build their own core competitiveness.

In 2002, The 16th National Congress of the Communist Party of China put forward the policy that "we must unswervingly encourage, support and guide the development of non-public economy".

In 2003, the third session of the 16th congress of the CPC Central Committee passed the policy of "the decisions on some issues about the improvement of the socialist market economic system", which proposed relaxing restrictions on the private economy market access, allowing non-public capital into the laws and regulations for the infrastructure, public utilities industries and fields. And the private economy enjoyed equal treatment with other enterprises in investment, financing, taxation, land use, foreign trade and other aspects.

In 2004, the National People's Congress conference made amendments to the constitution

stipulating: "that citizens' private legal property acquisition is inviolable", and further enhanced the investment confidence and entrepreneurial energy. In 2005, the state council issued a statement "about encouraging support and guiding the development of private individual and other non-public sectors of the economy developed certain opinions", relaxing market access in the non-public economy, strengthening the fiscal and financial support in seven aspects to put forward the policy of article 36, and further optimize the private family economic development environment. In October of the same year, a new company law was enacted, and this not only reduced the threshold of the establishment of the company but also put in place a perfect director system that strengthened restriction on the chairman of the board, to safeguard the interests of small and medium shareholders. A special chapter was devoted to a perfect governance structure of listed companies, so that it was more conducive to promoting the healthy development of Chinese family enterprise.

4.3 Field research 1: Social capital and dynamic capability in the development of Chinese family business

4.3.1 Case study

In Chapter 3, we mentioned that we had enlisted seventeen family business cases in our research. Here, we will reveal the details of these cases and make the case study about the social capital and dynamic capability in the development of the Chinese family business.

Case 1: C.N. Wire and Cable Co., Ltd.

The company of C.N. Wire and Cable initiated diode production in 2008. At the end of 2009, and in order to stimulate the Chinese economy, the government set up the "four trillion" plan, which gave a strong boost to the domestic real estate market. This led to extraordinary demand for related building materials, and internal copper wire processing in the wire and cable company was set up to supply a gap in the local market. Following that, the founder set up the Wuhan City Jiashun Metal Processing Co., Ltd. More general details are shown in Table 14.

Table 14 General Details of C.N. Wire and Cable Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and Main business
C.N. Wire and Cable Co., Ltd.	2008	Hu Bei, Wu Han	58 employees, 5.8 million €	Manufacturing. Wire and cable production

Source: author

Based on our interview, we know this company is a family business. We interviewed Ms. Fan HM and her son Mr. Cheng YJ. With regard to family involvement, Ms. Fan HM is the founder of the family business, the Chairman of the board, and owns a 51% share of the enterprise. The other family members own a 49% share. Ms. Fan HM's husband is the General Manager, the Chief Financial Officer. Ms. Fan HM's brother-in-law is the factory director. Ms. Fan HM's sister is responsible for purchasing and financial management. Ms. Fan HM's sister-in-law is responsible for marketing. Thus, we find that all the key positions are held by family members and the strategic decisions are normally made by the core family.

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of this family business - see Table 15.

Table15 the development path of C.N. Wire and Cable Co., Ltd.

Year	Key events	Note
2008	Started diode production	Ms. Fan HM set up the company with the family's help.
2009	Set up Wuhan City Jiashun Metal Processing Co., Ltd	It is the affiliated processing of building materials. Sensing the opportunity through a friend of the founder's husband.
2010	Renamed to Chunan Wire and Cable Co., Ltd. And involving wire and cable production	Seizing the opportunity and go into Real estate to support production.

2013	The explosive growth of the real estate market promoted the rapid expansion of the enterprise	Accumulation of original capital.
2016	This year, annual revenue reached its peak and it was over 100 million yuan.	
2017	The real estate industry began to shrink and the bank began to tighten the loans. That had a direct impact on the market Reduced market demand.	Consider investing in other related industries.

Source: author

Based on the development path of C.N. Wire and Cable Co., Ltd shown above, we can see that during the development of the enterprise, the important turning points are affected by dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage. The founder established the company, because she sensed an opportunity through information from a friend of her husband, and then seized the opportunity and went into Real estate to support production.

With the change in the environment, the enterprise tried to re-configure its resources and knowledge to establish a new competitive advantage. In 2017, the real estate industry began to shrink and the bank began to tighten up on loans, so the company had to consider re-configuring some resources and invest in other related industries.

What is more, we find that the sensing, seizing and re-configuring ability are from the core family members' social capital and Guanxi. From their friend, they sensed the opportunity provided by the policy and the trend in the industry, and seized the information of related resources.

Case 2: SARINA

The company of Sarina was set up by Mr. Wei in Ningbo, Zhe Jiang Province, 1985. It started with the business of wholesale and retail.

Based on the interview, we know this company is a family business. In our interview, we interviewed Mr. Wei who is the son of the family. With regard to family involvement, Mr. Wei's father is the founder of the family business, the general manager of the company, and has outright ownership (100%) of the enterprise. Mr. Wei's mother is in charge of the finance and she is the Chief Financial Officer. Mr. Wei manages the import and export business. So, we find that the family has complete ownership, and all the key management positions are held by family members and the strategic decisions are normally made by the core family. More general details are shown in Table 16.

Table 16 General Details of Sarina

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and Main business
Sarina	1985	Zhe Jiang Province, Ning Bo	10 employees, 5.5 million €	Retail industry. Electronic household appliances

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Sarina - see Table 17.

Table 17 The development path of Sarina

Year	Key events	Note
1985	Established the company and ran the business of the wholesale and retail of home appliances and hardware	Mr. Wei's father set up the company with the family's help. One uncle is engaged in the production of soap. One uncle is engaged in the real estate industry. One uncle is engaged in the manufacture of clothing. One uncle is engaged in the entertainment industry. These uncles bring information, capital and Guanxi to Mr. Wei's father.

1990	<p>Did business as a brand agent.</p> <p>The company became a regional agency of a famous Japanese brand.</p> <p>The company has 3 chain stores.</p>	<p>A friend of Mr. Wei’s father works in this manufacturing Japanese company and helps to achieve agency cooperation.</p>
1996	<p>The family business created department stores and a supermarket (3000 m²).</p> <p>Established a factory to produce self-owned brands</p>	<p>With family member’s help</p>
2007	<p>During the economic crisis, the company closed the supermarket and stores.</p> <p>Mainly doing the business of import and export trade, wholesale agency and offline B2B business.</p>	<p>Mr. Wei engaged in import and export trade for many years.</p>

Source: author

Based on the development path of Sarina described above, we find that during the development of the enterprise, the important turning points are affected by dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1985, the founder’s brothers brought him information, capital and Guanxi that helped to sense an opportunity, seize it and then establish the company.

With the change in the environment, the enterprise tried to re-configure its resources and knowledge to establish a new competitive advantage. In 1990, a friend of the founder, who worked in a Japanese manufacturing company, helped to achieve agency cooperation. The family business became a regional agency for the famous Japanese brand and established 3 chain stores. In 1996, the company started to produce self-owned brands.

During the economic crisis, the company closed the supermarket and stores in 2007. Mr. Wei, the son of the founder, sensed the threat and using the social capital he had established, adjusted the company strategy to focus mainly on the import and export trade, wholesale agency and offline

B2B business.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sensed the opportunity or threat from the policy and industry trend, and seized the information of related resources. Then they adjusted the strategy of the company to achieve the new competitive advantage.

Case 3: GWBG Co., Ltd.

The Gang Wan Bin Guan Co., Ltd. was set up by Ms. Chen in Jia Xing, Zhe Jiang Province, 1996. It started with construction and the hotel industry.

From the interview, we know this company is a family business. In our interview, we interviewed Ms. Chen and her daughter Miss Jin. With regard to family involvement, Ms. Chen's father is the founder of the family business and in charge of the construction company. Miss Jin's father is the chairman of the board of the Hotel, and has a 60% share of the hotel. Miss Jin's mother is the CEO of the Hotel, and has a 40% share of the hotel. Miss Jin's uncle is responsible for the procurement. Miss Jin's aunt is responsible for inventory management. One cousin is responsible for finance. Another cousin is responsible for running the Hotel. So, we can see that the family has overall ownership, and all the key management positions are held by the family members and the strategic decisions are normally made by the core family. More general details are shown in Table 18.

Table 18 General Details of Gang Wan Bin Guan Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Gang Wan Bin Guan Co., Ltd.	1996	Zhe Jiang Province, Jia Xing	129 employees, 2.5 million €	Construction and hotel industry

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Gang Wan Bin Guan *Co., Ltd.* - see Table 19.

Table 19 the development path of Gang Wan Bin Guan *Co., Ltd*

Year	Key events	Note
1996	Established the construction company	The grandfather worked in the construction industry and has extensive experience. With his friend's help, the grandfather established a construction company and started to operate the family business.
2006	Buy the land	Ms. Chen's father engaged in the construction industry for many years. The family decided to buy land and ask Ms. A and her husband to oversee it.
2011	Close the food and beverage department	Due to high cost and poor revenue, and serious waste of ingredients, they decided to close the food and beverage part of the operation.
2012	Close the Sauna department	The sauna department used to provide good economic benefits. However, due to the death of Ms. Chen's father, and the couple's inexperience in organizing the sauna business, they decided to suspend the sauna department
2014	Close the Chess department	After a long period of experimentation, the chess department continues to be unprofitable
2016	Close the hotel room department. Close the company.	The company's operating costs are too high, and the company remains in a negative growth state.
2017	Rent the building to a famous hotel chain "Jin Jiang star"	Failed to cooperate with the hotel chain "Jin Jiang star", so leased the building to it.

Source: author

Based on the development path of the Gang Wan Bin Guan *Co., Ltd.* described above, we

find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

The grandfather worked in the construction industry and had extensive experience. In 1996, his friends brought information regarding the development of the new industry which helped him sense an opportunity. His family gave him the financial support, and he was able to use his “Guanxi” to seize the opportunity and establish the construction company and start to operate the family business.

With the change in the environment, the enterprise found a new opportunity and tried to re-configure its resources and knowledge to establish a new competitive advantage. In 2006, a friend of the founder, who owned land, brought news that he wanted to sell the land to repay his loan. The founder realised that the land was in a really good location and had high appreciation potential. So, the family decided to buy the land and ask the second-generation Ms. A and her husband to oversee it.

During the economic crisis, the company closed many departments from 2001 to 2014, and in 2016, the family closed the hotel because of its poor performance. The couple then decided to lease the building to a famous hotel chain “Jin Jiang star”. During the process, the family business faced many problems, mainly because the founder did not transfer his social capital to the next generation well. At the same time, the couple were not very effective in making new Guanxi. So, the family business could not sense the threat or seize the useful resource immediately, which meant the enterprise was unable to adjust its strategy and reconfigure the service and product in time.

We find that the ability to sense, seize and re-configure stems from the core family members’ social capital, and from their family members, friends, colleagues and Guanxi, they sensed the opportunity or threat from the policy and industry trend, and seized the information of related resources. However, if they cannot maintain or transfer well to the next generation, they cannot adjust the strategy in time and cannot gain the new competitive advantage.

Case 4: Wade Fitness Management Co., Ltd.

The Wade Fitness Management Co., Ltd. was set up by Mr. Li in Zhengzhou, He Nan Province, 2009. It started with the sports fitness industry.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Li and his daughter Miss Li. Mr. Li is the chairman of the board, and has an 80% share. One friend has a 20% share. Mr. Li's wife is responsible for financial management. Mr. Li's brother is responsible for logistics management. The CEO is a hired professional manager. So, we find that the family has nearly all the ownership, and all the key management positions are held by the family members and the strategic decisions are normally made by the core family. More general details are shown in Table 20.

Table 20 General Details of Wade Fitness Management Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Wade Fitness Management Co., Ltd.	2009	He Nan Province, Zhengzhou	50 employees, 1 million €	Sports Fitness

Source: author

From the interview and the related data that we collected from the enterprise, we can clearly show the development path of Wade Fitness Management Co., Ltd. - see Table 21.

Table 21 The development path of Wade Fitness Management Co., Ltd.

Year	Key events	Note
2009	In cooperation with three friends, the founder bought a fitness club and set up the Wade Fitness Management company.	At the beginning of establishing the company, the four shareholders were very important. They trusted each other and had a common business philosophy. They complemented each other's advantages, and integrated social capital from different fields.
2011	The father bought out two other shareholders and owns 80% of the company shares.	At the same time, the family members participated in the management of the company, and it became a family business.

2014	Employed a professional manager.	His classmate evolved into the management of the company
2017	Diversified development and entering the health industry	Friends from industry association brought the industry information.

Source: author

Based on the development path of Wade Fitness Management Co., Ltd described above, we find that during the development of the enterprise, the important turning points are affected by the dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 2009, Mr. Li and three friends got together to buy a fitness club and set up the Wade Fitness Management company. These friends were very important in that they complemented each other's advantages, and could integrate social capital from different fields. Through their social capital and Guanxi, the company could sense opportunity or threat in time, and then modify company strategy accordingly.

With the change in the environment, two of the collaborators decided to quit the company. In 2011, Mr. Li bought out the other two shareholders to own an 80% share of the company. At the same time, the family members played their part in the management of the company, and it became a family business.

After many years of development, the fitness industry has been widely accepted by most Chinese people, and through the current development trend we find that the competition in this market is increasingly intense. Similar enterprises are constantly appearing thus forming a situation of vicious competition. So, Mr. Li decided to diversify his business the better to maintain a sustainable competitive advantage. Through his friends and Guanxi, the company seized the related resources and reconfigured its business, thus achieving diversified development. The company began to get involved in the education and training industries, as well as the consulting and medical services industry.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sensed the opportunity or threat from the policy and industry trend, and seized the information of related resources, and then went on to maintain the sustainable competitive advantage.

Case 5: Baicheng Trading Company

The Baicheng Trading Company was set up by Mr. Yang in Zhengzhou, in He Nan Province, 2004. The company started in highway construction and the building materials trade.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Yang and his wife Ms. Qin. Ms. Qin is the chairman of the board, and has 70% of the share. Mr. Yang is the CEO and has 30% of the share. So, we find that the couple has overall ownership, and all the key management positions are held by the couple, and the strategic decisions are normally made by the core family. More general details are shown in Table 22.

Table 22 General Details of Bai Cheng Trading Company

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Baicheng Trading Company	2004	He Nan Province, Zhengzhou	50 employees, 5 million €	Highway construction and building materials trade

Source: author

From the interview and the related data that we collected from the enterprise, we can clearly show the development path of the Bai Cheng Trading Company - see Table 23.

Table 23 The development path of the Bai Cheng Trading Company

Year	Key events	Note
2001	In 2001, the couple started studying and working in the United States.	Built good a relationship with some American companies, and made some Chinese friends.
2004	Went back to China and set up a real estate company	Mr. Yang's personal relationships with local government (social capital) had a positive impact on the entrepreneurial process. The company had 6 shareholders, each of whom brought different social capital, like banking resource, government resource and technology resource.

		The company is a collection of resources. Mr. Yang is the manager.
2005	Set up an engineering company to build a highway and set up a trading company	With the help of the social capital, the company extended its business.
2006	Mr. Yang and his wife bought all the remaining shares (70%) from the other 5 shareholders. The company became a family business.	External environment changed. There is a crisis of trust in the company.
2010	Cooperated with Royal Dutch Shell Plc	Mr. Yang's friend helped to achieve cooperation.
2015	Expanded the company and achieved diversified development	Mr. Yang had some friends from the banking world and government, and based on that relation, successfully obtained financial support.

Source: author

Based on the development path of the Baicheng Trading Company described above, we find that during the development of the enterprise, the important turning points are affected by the dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 2001, Mr. Yang and his wife Ms. Qin started studying and working in the United States. That experience helped them to build a good relationship with some American companies, and they also made some Chinese friends there.

In 2004, the couple went back to China and set up a real estate company. The company had 6 shareholders, each whom brought different social capital, such as bank resource, government resource and technology resource. In addition, as Mr. Yang's personal relationships with local government (social capital) had a positive impact on the entrepreneurial process, we can say that the founder team of the company is a collection of resources, and Mr. Yang is the manager. In 2005, with its abundant social capital and sensing an opportunity, they set up an engineering company to build a highway. They also set up a trading company, and with its social capital and

Guanxi, the company was able to seize the related resources and extend its business.

In 2006, the external environment changed. Mr. Yang and his wife bought the remaining 70% of shares from the other 5 shareholders and the company became a family business.

In 2010, the company successfully achieved cooperation with the Royal Dutch Shell Plc, through the Guanxi of Mr. Yang's friends. In 2015, through the owner's social capital, the company sensed the opportunity or threat in time, and went on to modify the company strategy accordingly. Through friends and Guanxi, the company seized the related resources and reconfigured its business, thus managing to diversify development. With Mr. Yang having some friends working in the banks and in government, the company was able to successfully obtain financial backing.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, which enables them to maintain a sustainable competitive advantage.

Case 6: Hou Pu Stationery Co., Ltd.

The Hou Pu Stationery Co., Ltd. was set up by Mr. Cui in Shi Jiazhuang, He Bei Province, 1989. It started in Stationery production and sales.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Cui and his wife Ms. Cui. Mr. Cui is the chairman of the board, and has 95% of the shares. Mr. Cui's brother manages one store and has 5% of the shares. Ms. Cui is responsible for the financial management. So, we find that the family has overall ownership, and all the key management positions are held by the family members, and the strategic decisions are normally made by the core family. More general details are shown in Table 24.

Table 24 General Details of the Hou Pu Stationery Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Hou Pu Stationery Co., Ltd.	1994	He Bei Province, Shi jiazhuang	50 employees, 7.7 million €	Stationery production and sales

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of the Hou Pu Stationery Company - see Table 25.

Table 25 The development path of Hou Pu Stationery Co., Ltd

Year	Key events	Note
1989	Realization of the great potential development of the private economy in the future	Mr. Cui was working at a supply and marketing cooperative shop. He saw an opportunity, when he accompanied his boss to meet the Vice Minister of Commerce and realized the state would encourage the developing of the private economy.
1994	Set up a retail store	Mr. Cui had a good relationship with the manager of the supply and marketing cooperative shop. They gave Mr. Cui the right to sell the inventory without prepayment. Mr. Cui's father was the previous general manager of the People's shopping mall. His friend helped him to successfully set up the private retail store.
2004	8 branches of stationery supermarkets and one factory.	The annual sales of each store was more than 2 million euros. Mr. Cui enrolled in Tsinghua University to study business management. While there, he formed good relationships with many classmates and researchers, which were later very helpful for his business management and development.
2012	Shrank business and kept two of the biggest supermarkets.	Given the outside environment and based on the intense competition and increased costs, Mr. Cui decided to keep the two biggest supermarkets and award 5% shares to outstanding employees to maintain the business.

2017	Investment in real estate investment, root carving and china.	With his brother's help, Mr. Cui started getting involved in real estate investment. Mr. Cui's brother was a leader in the government and after he retired, he started up in the business of real estate. With another friend's advice and at his suggestion, Mr. Cui bought into some root carving and china, and started a business related to that.
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Source: author

Based on the development path of the Hou Pu Stationery Co., Ltd. described above, we find that during the development of the enterprise, the important turning points are affected by the dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1989, when Mr. Cui was working at a supply and marketing cooperative shop, he saw an opportunity. He accompanied his boss to a meeting with the Vice Minister of Commerce and learnt that the country would be encouraging the development of the private economy. He sensed this had great future potential.

In 1994, Mr. Cui set up a retail store. Having a good relationship with the manager of the supply and marketing cooperative shop, Mr. Cui was given the right to sell the inventory without prepayment. Mr. Cui's father had been the previous general manager of People's shopping mall, and it was his friend who helped him to successfully set up the private retail store.

In 2004, Mr. Cui had 8 branches of stationery supermarkets and one factory. The annual sales of each store was more than 2 million euros. At the same time, Mr. Cui enrolled in Tsinghua University to study business management. Over the duration of his course, he formed good relationships with many classmates and researchers, which were later very helpful for the management and development of his business.

In 2012, the external environment changed. As a consequence of the outside environment and based on the intense competition and increased costs, Mr. Cui decided to keep the two biggest supermarkets and award 5% of the shares to outstanding employees to maintain the business.

In 2017, with his brother's help, Mr. Cui started becoming involved in real estate investment. Mr. Cui's brother was a leader in the local government and after he retired, he set up in the real

estate business. With another friend's advice and at his suggestion, Mr. Cui bought some root carving and china, and started a business related to that.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and are then able to maintain a sustainable competitive advantage.

Case 7: European and American Steel Structure Curtain Wall Technology Co., Ltd.

The European and American Steel Structure Curtain Wall Technology Co., Ltd. was set up by Mr. Zhang in Xu Zhou, Jiang Su Province, 2014. It started out in the Construction industry.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Zhang and his daughter Ms. Zhang. Mr. Zhang is the chairman of the board, and has 100% of the shares. Mr. Zhang's wife is responsible for the financial management. Mr. Zhang's brother is responsible for sales, business negotiation and arrears management. His sister-in-law is responsible for material procurement. So, we find that the family has overall ownership, and all the key management positions are held by the family members, with strategic decisions normally being made by the core family. More general details are shown in Table 26.

Table 26 General Details of the European and American Steel Structure Curtain Wall Technology Co., Ltd

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
European and American Steel Structure Curtain Wall Technology Co., Ltd.	2014	Jiang Su Province, Xu Zhou	87 employees, 3 million €	Construction industry

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of the European and American Steel Structure Curtain Wall Technology Company - see Table 27.

Table 27 The development path of European and American Steel Structure Curtain Wall Technology Co., Ltd.

Year	Key events	Note
2014	Set up the company	Mr. Zhang demobilized from the army. With the help of his comrades (working in Da Lian government), he found a business opportunity in that Da Lian city had a strong demand for steel structure curtain wall installation. Since his hometown is advanced in producing steel structure curtain wall, he decided to go into this business.
2018	Started to enter the construction market of architectural decoration	The information from Mr. Zhang's comrade.

Source: author

Based on the development path of the European and American Steel Structure Curtain Wall Technology Co., Ltd described above, we find that during the development of the enterprise, the important turning points are affected by the dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 2014, Mr. Zhang was demobilized from the army. With the help of his comrades (working in the Da Lian government), he found a business opportunity in the fact that Da Lian city had a strong demand for steel structure curtain wall installation. Given that his hometown was advanced in producing steel structure curtain walls, he decided to venture into this business and set up the company.

Meanwhile, the environment is always changing. In 2018, based on information from his comrade, Mr. Zhang saw a new business opportunity and made the decision that his company would enter the construction market of architectural decoration.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and are then able to maintain a sustainable competitive advantage.

Case 8: Xintong Auto Parts Co., Ltd.

The Xintong Auto Parts Co., Ltd. was set up by Mr. Sun in Danyang, Jiangsu Province, 1996. It started in the production of auto parts.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Sun. Mr. Sun's father is the chairman of the board, and has a 50% share. Mr. Sun's mother is responsible for the financial management, and has a 30% share. Mr. Sun is the operations manager and has a 20% share. So, we find that the family has overall ownership, and all the key management positions are held by the family members, with the strategic decisions normally being made by the core family. More general details are shown in Table 28.

Table 28 General Details of Xintong Auto Parts Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Xintong Auto Parts Co., Ltd.	1996	Jiangsu Province, Danyang	160 employees, 10 million €	Auto parts production

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Xintong Auto Parts Company - see Table 29.

Table 29 The development path of Xintong Auto Parts Co., Ltd.

Year	Key events	Note
1996	Set up the first factory, began to design and produce auto parts	Mr. Sun had many years' experience of selling the auto parts and repairing cars.
1998	Jiangsu Xintong Auto Parts Co., Ltd. was formally established and received the business license.	A friend helped to find the land to build a new factory.
1999	Signed the cooperation contract with Geely Auto and Lifan Auto. Passed the TS16949 quality system certification.	A friend, who worked in the Geely company, helped to broker cooperation. Mr. Sun produced the specified parts and supply for these companies. A friend from the Automobile Manufacturing Association helped to get the certificate.
2010	Invested about 20 million euros to build a new factory. Bought and set up many fan production lines and water tank production lines.	Mr. Sun served as a local National People's Congress (NPC) deputy and built a relationship with the local government.
2015	Obtained several national patents. Won the honorary title of National Science and Technology Enterprise	Gained more market acceptance.
2017	Cooperated with more enterprises	His son married and the wife's family had their own family business. They formed a strong alliance and more social capital.

Source: author

Based on the development path of Xintong Auto Parts Co., Ltd. described above, we find that during the development of the enterprise, the important turning points are affected by the dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

Mr. Sun had many years' experience of selling auto parts and repairing cars. In 1996, based on the social capital that he had accumulated, Mr. Sun set up the first factory and began to design and produce auto parts.

In 1998, a friend helped him find the land to build a new factory. At the same time, Jiangsu Xintong Auto Parts Co., Ltd. was formally established and received its business license.

In 1999, one of Mr. Sun's friends, who worked in the Geely Company, helped Mr. Sun to broker cooperation with Geely Auto and Lifan Auto. Meanwhile, Mr. Sun's company began to produce specified parts to supply to these companies. What is more, a friend from the Automobile Manufacturing Association helped them to obtain the certificate, which strengthened the competitive capability of the company.

In 2010, Mr. Sun served as a local National People's Congress (NPC) deputy where he built a relationship with local government. At the same time, the company invested about 20 million euros to build a new factory, and set up many fan production lines and water tank production lines. This helped the company achieve diversified development.

In 2015, the company obtained several national patents, and won the honorary title of National Science and Technology Enterprise, which helped the company gain more market acceptance.

In 2017, Mr. Sun's son married and his wife's family had their own family business. The two-family businesses formed a strong alliance and obtained more social capital.

We find that the ability to sense, seize and re-configure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and are then able to maintain a sustainable competitive advantage.

Case 9: Sino beacon Lighting Co., Ltd.

The Sino beacon Lighting Co., Ltd. was set up by Mr. Zhang in Zhong Shan, Guang Dong Province, 2003. It started in the Lighting industry and soft magnet production.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Zhang and his wife. Mr. Zhang is the CEO and has 100% of the Lighting Company. His father is the chairman of the board of the Soft magnet factory and has 100% of that. His mother and wife are responsible for the financial management. Mr. Zhang's uncle is responsible for the operations management of the factory. So, we find that the family has overall ownership, and all

the key management positions are held by the family members, with the strategic decisions normally being made by the core family. More general details are shown in Table 30.

Table 30 General Details of Sino beacon Lighting Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Sino beacon Lighting Co., Ltd.	2003	Guang Dong Province, Zhong Shan	120 employees, 12.8 million €	Lighting industry and Soft magnet production

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Sino beacon Lighting Company - see Table 31.

Table 31 The development path of Sino beacon Lighting Co., Ltd.

Year	Key events	Note
1997	Father went to Guangdong to do trading.	Father went to Guangdong with his brothers and friends.
2003	Established a soft magnet production factory in Zhongshan, Guangdong province.	His uncle was the general manager of the listed company Tiantong, which had the right to formulate national industry standards of the soft magnet industry.
2010	Established a transformer manufacturing factory in Jiaxing.	His uncle helped to solve the technology problem and introduced some cooperation.
2013	Set up Beacon Lighting Co., Ltd. in Zhongshan.	Mr. Zhang founded this company independently. At the beginning, there was a single product. The competition was very stressful.
2015	The development of new products into the market. It was an important turning point	His classmate helped with the research and development of the new product.

Source: author

Based on the development path of Sino beacon Lighting Co., Ltd described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1997, Mr. Zhang's father went to Guangdong to do trading and started to accumulate the social capital.

Mr. Zhang's uncle was the general manager of the listed company Tiantong, which had the right to formulate the national industry standards of the soft magnet industry. In 2003, based on that relationship, Mr. Zhang's father saw a business opportunity and established a soft magnet production factory in Zhongshan, Guangdong province.

In 2010, Mr. Zhang's father established a transformer manufacturing factory in Jiaying. Mr. Zhang's uncle helped to solve the technology problem and introduced some cooperation opportunities.

In 2013, owing to a difference of opinion, Mr. Zhang set up Beacon Lighting Co., Ltd. independently in Zhongshan. At the beginning, this involved a single product and the competition was very stressful. Meanwhile, in 2015, his classmate helped a lot in employing the human resource of research technicians and developing the new products. This was an important turning point, and the company opened the market.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and are then able to maintain a sustainable competitive advantage.

Case 10: Cheng Xin Group

The Cheng Xin Group was set up by Mr. Hu in Chengdu, Sichuan Province, 1994. It started in the real estate industry.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Hu. Mr. Hu's mother has 100%. Mr. Hu is the chairman of the board. Mr. Hu's classmate is the CEO. Mr. Hu's brother is the vice CEO. So, we find that the family has overall ownership, and all the key management positions are held by the family members and the strategic decisions are normally made by the core family. More general details are shown in Table 32.

Table 32 General Details of Cheng Xin Group

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Cheng Xin Group	1994	Si Chuan Province, Chengdu	2000 employees, 90 million €	Real estate, engineering construction, financial investment, hotel catering, cultural media

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Cheng Xin Group - see Table 33.

Table 33 The development path of Cheng Xin Group

Year	Key events	Note
1994	Set up Sichuan Chengxin Construction Company	Mr. Hu's mother set up the company. Mr. Hu's father was the deputy governor of the local government. Mr. Hu's grandfather was the general manager of the local state-owned company. Mr. Hu's grandmother was the sister of the vice-premier
2000	The company pursued diversified development including real estate and construction engineering, dining and entertainment, and culture media.	Mr. Hu was the general manager and took over the management of the company. Mr. Hu became the deputy director of the Central Economic Commission of the China Democratic National Construction Association and entered the Committee of Sichuan Minjian CPPCC. He built and accumulated his own relationship and social capital.

Source: author

Based on the development path of the Cheng Xin Group described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

This family has a strong relationship history with the government. Mr. Hu's grandmother is the sister of the vice-premier. Mr. Hu's grandfather is the general manager of the local state-owned company. Mr. Hu's father is the deputy governor of the local government. Based on that accumulated social capital of the family, Mr. Hu's mother found a business opportunity through their Guanxi, and set up Sichuan Chengxin Construction Company in 1994.

The environment is always changing, and development comes from that change. In 2010, Mr. Hu became the general manager and took over the management of the company. Mr. Hu became the deputy director of the Central Economic Commission of the China Democratic National Construction Association and entered the Committee of Sichuan Minjian. He built and accumulated his own relationship and social capital. Based on their Guanxi with the government, the family was able to sense the opportunity and seize the business opportunity in time, and reconfigured the strategy plan accordingly. The company achieved diversified development through real estate and construction engineering, dining and entertainment, and culture media.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and are then able to maintain a sustainable competitive advantage.

Case 11: Fusen-Noble House

The Fusen Noble-House Industrial was set up by Mr. Liu in Chengdu, Sichuan Province, 1986. It started in building materials.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Liu. Mr. Liu's is the chairman of the board and has 54% of the share. Mr. Liu's sister is the vice chairman of the board and has 36% of the share. Mr. Liu is the CEO and has 10% of the share. So, we find that the family has overall ownership, and all the key management positions are held by the family members, with strategic decisions being normally made by the core family. More general details are shown in Table 34.

Table 34 General Details of Fusen Noble-House Industrial Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Fusen-Noble House	1986	Si Chuan Province, Chengdu	500 employees, 38 million €	Home and building materials

Source: author

Based on the interview and the related data we collected from the enterprise, we can show the development path of Fusen Noble-House Industrial - see Table 35.

Table 35 The development path of Fusen Noble-House Industrial Co., Ltd

Year	Key events	Note
1986	Mr. Liu's younger brother established the Sanli Day Miscellaneous Construction and Supplementary Retail Store.	Mr. Liu's sister was an accountant at the Township Enterprise Supply and Marketing Company of Jinniu District, and provided supply channels. Mr. Liu worked at a credit union and helped to apply for a loan.
1987	Got the red hat of the collective enterprise	Through the relationship of the sister, the retail store was affiliated with the collective enterprise. Cooperated with import and export companies, and mainly conducted wholesale business.
1995	Built a factory in Chengdu. Established cooperation with CIMC Group to import logs, and conducted deep processing and sales.	A friend from the government helped to find the land to build the factory. Contacted the CIMC Group through a friend and established cooperation.

2000	Started the construction of Fusen-Noble House (100,000 m ²).	Through the relationship of a friend of the sister, communicated with the government and got the land, qualifications and funding.
2006	Opened the second Fusen-Noble House targeting the high-spending customers.	
2012	IPO	

Source: author

Based on the development path of Fusen Noble-House Industrial described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

The family has two brothers and one older sister. Mr. Liu is the older brother and he worked in the local credit union. The older sister is an accountant at the Township Enterprise Supply and Marketing Company. In 1986, Mr. Liu's younger brother saw that the private business had huge development potential. Meanwhile, Mr Liu himself was able to help with applying for a loan, and in setting up the supply channels. Mr. Liu's younger brother decided to establish the Sanli Day Miscellaneous Construction and Supplementary Retail Store.

In 1987, in order to survive in the changing environment, and through his sister's relationship with government, the retail store affiliated with the collective enterprise, cooperated with import and export companies, and mainly conducted business in wholesale.

In 1995, Mr. Liu saw the development opportunity in Chengdu and so, from information provided by a friend who worked in the local government, Mr. Liu found the land to build the factory there. Based on the social capital Mr. Liu had accumulated, the company contacted the China International Marine Containers Group (CIMC) and established cooperation with them. The company started to import logs, and carried out deep processing and sales.

After many years' development, and based on the information obtained through his social capital, Mr. Liu sensed there would be strong demand for improving living conditions in Chengdu over the coming decades. So, he decided to build a furniture shopping mall. Through the relationship of a friend of his sister, the company communicated with the government and got the

land, qualifications and funding. Thus, began the construction of Fusen-Noble House (100,000 m²) in 2000, with the second Fusen-Noble House opening in 2006 to target high-spending customers.

The company developed fast. In order to attract more investors and to enter the markets of the whole country, the family decided to attempt an IPO. In 2012, the company's IPO was successful. Meanwhile, the company is still a family business because the top management members are mainly the family members, and the family control the shares.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and go on to maintain the sustainable competitive advantage.

Case 12: Binvalley group

The Binvalley group was set up by Mr. Bin in Chengdu, Sichuan Province, 2003. It started in engineering and technology.

Based on the interview, we know this company is a family business. In our interview, we interviewed Mr. Bin and his wife. Mr. Bin is the founder, the chief director of the company and has 80% of the share. A 10% share is owned by other family members, and the remaining 10% share is for the professional managers. His wife is the chief financial officer. Mr. Bin's brother is the former standing deputy executive manager of the engineering business segment. Mr. Bin's uncle is the general manager of the technology business segment. One of Mr. Bin's schoolmates is the president's assistant. The wife of the owner's brother is the manager of the procurement department of culture and tourism business segment.

So, we find that the family has overall ownership, and all the key management positions are held by the family and the strategic decisions are normally made by the core family. More general details are shown in Table 36.

Table 36 General Details of Binvalley group

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Binvalley group	2003	Si Chuan Province, Chengdu	320 employees, 14 million €	Engineering, Science and Technology, Business, Investment, Finance, Culture

Source: author

Based on the interview and the related data we collected from the enterprise, we can show the development path of Binvalley group - see Table 37.

Table 37 The development path of Binvalley group

Year	Key events	Note
2003	Mr. Bin established the Sichuan Yuandian Installation Engineering Corporation	Mr. Bin served as a project manager for Huaxi Group and Chengdu Road and Bridge Engineering Co., Ltd, and as a construction supervisor for China Mobile and local power companies. He gained a lot of engineering experience and built a network of connections. This helped him to establish the cooperation.
2005	The company obtained its Engineering qualification.	
2008	Mr. Bin established the second company, Sichuan Yuan dian Water and Electric Power Engineering Design Consulting Corporation (Yuandian Design Corpotaion).	Mr. Bin's brother got involved in the establishment of the second company.

2010	Mr. Bin established the Sichuan Bin Valley Technology Corporation and Sichuan Shengfeng Water and Electric Power Engineering Design Consulting Corporation.	Many of Mr. Bin's classmates were involved in the establishment of these two companies. They had affluence related work experience, wide networks, and social capital.
2016	Bin Valley Group comprised sixteen companies, and is registered in Hong Kong.	Mr. Bin's connection with his MBA alumni provided many new channels from which to recruit professional managers and to become involved in the new area.

Source: author

Based on the development path of the Binvalley group described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

After graduating from university, Mr. Bin served as a project manager for the Huaxi Group and Chengdu Road and Bridge Engineering Co., Ltd, and as a construction supervisor for China Mobile and local power companies. He gained a lot of engineering experience and built a network of connections, which helped him to establish corporation. In 2003, Mr. Bin established the Sichuan Yuandian Installation Engineering Corporation. And, in 2005, the company obtained its engineering qualification.

In 2008, with the development of the company, Mr. Bin established the second company, Sichuan Yuan dian Water and Electric Power Engineering Design Consulting Corporation (Yuandian Design Corpotaion). His social capital in business information and cooperation information was a great help in achieving this. Mr. Bin's brother was involved in the establishment of the second company.

In 2010, the company achieved diversity development. Mr. Bin established the Sichuan Bin Valley Technology Corporation and Sichuan Shengfeng Water and Electric Power Engineering Design Consulting Corporation. Many of Mr. Bin's classmates were involved in the establishment of these two companies. They have affluence related work experience, a wide network, and social capital, which helped a lot to achieve the diversification.

In 2016, the Bin Valley Group consisted of sixteen companies in total, and was registered in

Hong Kong. Mr. Bin's connection with his MBA alumni provided many new channels from which to recruit professional managers and to become involved in the new area.

We find that the ability to sense, seize, and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they are able to sense the opportunity or threat from the policy and industry trend, seize the information of related resources, and thus maintain the sustainable competitive advantage.

Case 13: Yu Xin Machinery Manufacturing Co., Ltd.

The Yu Xin Machinery Manufacturing Co., Ltd. was set up by Mr. Li in De Yang, in Sichuan Province, 1980. It started in machinery manufacturing.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Li and his father. Mr. Li's father is the chairman of the board. Mr. Li is the general manager and has 60% of the share. Mr. Li's older sister has a 25% share and is a cashier in the company. Mr. Li's younger sister has a 15% share. Mr. Li's wife is the CFO.

So, we find that the family has overall ownership, and all the key management positions are held by the family members, and the strategic decisions are normally made by the core family. More general details are shown in Table 38.

Table 38 General Details of Yu Xin Machinery Manufacturing Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Yu Xin Machinery Manufacturing Co., Ltd.	1980	Si Chuan Province, De Yang	300 employees, 12 million €	Metallurgy, electronic matching, mining

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Yu Xin Machinery Manufacturing Co., Ltd. - see Table 39.

Table 39 The development path of the Yu Xin Machinery Manufacturing Co., Ltd.

Year	Key events	Note
1980	Mr. Li's father established the Yu Xin Machinery Manufacturing Co., Ltd.	Mr. Li's father was the general manager of a Township enterprise and worked in the local government. This helped to establish and develop the company.
1992	Mr. Li became the general manager.	The management right of the family business is transferred to the son.
2000	Brokered cooperation with Dongfang Electric Corporation, which is one of the biggest state-owned companies.	A friend of Mr. Li worked in the Dongfang Electric Corporation and helped to achieve the cooperation.
2008	After the earthquake, the company built the new factory	With a friends' help, they successfully obtained the land and received the loan from the bank.
2010	Extended cooperation with Dongfang Electric Corporation	Achieved diversified business development, including casting processing, special pipe industry, mining machinery and mining.

Source: author

Based on the development path of the Yu Xin Machinery Manufacturing Co., Ltd. described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

Mr. Li's father was the general manager of a Township enterprise and worked in the local government. That experience helped Mr. Li's father to accumulate social capital and also helped him to sense and seize the business opportunity. Based on that, in 1980, Mr. Li's father established the Yu Xin Machinery Manufacturing Co., Ltd. In 1992, the management right of the family business was transferred to his son, and Mr. Li became the general manager.

In 2000, after China joined the World Trade Organization, the business environment changed a lot and competition became more intense. Mr. Li was alerted to an opportunity by a friend who

worked in the Dongfang Electric Corporation, which is one of the biggest state-owned companies in Sichuan Province. Through that friend, they achieved cooperation.

In 2008, the city and the company were greatly affected by the Sichuan earthquake. After the earthquake, the company built a new factory. With his friends' help, the company successfully got the land and received the loan from the bank.

In 2010, Mr. Li extended the cooperation with the Dongfang Electric Corporation. The company achieved diversification, including casting processing, special pipe industry, mining machinery, and mining.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they are able to sense the opportunity or threat from the policy and industry trend, seize the information of related resources, and thus maintain the sustainable competitive advantage.

Case 14: Qiankun Group

The Qiankun Group was set up by Mr. Xie in De Yang, Sichuan Province, 1994. It started in real estate industry.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Xie and his father. Mr. Xie's father is the Chairman of the board, and has 60% of the share. Mr. Xie is the CEO and has 20% of the share. Mr. Xie's mother is the financial manager and has 20% of the share.

So, we find that the family has overall ownership, and all the key management positions are held by the family members, and the strategic decisions are normally made by the core family. More general details are shown in Table 40.

Table 40 General details of Qiankun Group

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Qiankun Group	1994	Si Chuan Province, De Yang	3000 employees, 128 million €	Housing Construction, Municipal Public Works, Machinery Manufacturing

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Qiankun Group - see Table 41.

Table 41 The development path of the Qiankun Group

Year	Key events	Note
1981	Mr. Xie borrowed 200 yuan from the credit union and opened a restaurant at the village.	
1986	Mr. Xie bought an agricultural vehicle and did the transportation for brick factories	Got information from friends, who frequently came to the restaurant, that transportation is more profitable.
1994	Mr. Xie bought the brick factory.	Mr. Xie also made sales while doing transportation. He accumulated his own sales channels and related social relationships. The brick factory was not well managed and the enterprise continued to lose money, so they asked Mr. Xie to buy it.
1995	Started contracting construction projects	Mr. Xie got to know a lot of friends in the real estate industry. Through these relationships, he obtained engineering related information in time.
2000	Established the Qiankun Real Estate company and Qiankun Property company.	
2003	Acquired the township collective enterprise Sanjian Machine Factory and established the Xinkun Machinery enterprise.	Discovered this opportunity in time through a friend who worked in the local government.

2004	Started cooperation with Dongfang Electric Corporation, which is one of the biggest state-owned companies.	Mr. Xie had a classmate working in the Dongfang Electric Corporation and he helped to build the cooperation.
2005	Acquired the township paper factory, and established Qian Sen Paper company.	Got information early through a friend working in the local government, and arranged the appropriate funds for the acquisition.
2008	Established the Mianzhu City Zhucheng concrete company.	After the earthquake, he got the information from the local government that there was strong market demand for reconstruction.
2010	Acquired the local bus company.	Achieved diversified development

Source: author

Based on the development path of the Qiankun Group described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1981, Mr. Xie started to do business and operated a restaurant in his village. While running his restaurant, Mr. Xie made many friends and accumulated social capital. He learnt from friends who frequently came to the restaurant, that there was more profit in transportation. So, Mr. Xie bought a vehicle and did the transportation for brick factories in 1986.

After participating in transportation for many years, Mr. Xie also extended the market and learnt a lot about selling. At the same time, he built up his own sales channels and related social relationships. During that period, the reform and opening-up policy changed the competition environment. As the brick factory was not being well managed, it continued to lose money so Mr. Xie was asked to buy it. Mr. Xie bought the brick factory in 1994.

In 1995, Mr. Xie accumulated a lot of friends in the real-estate industry. Through these relationships, he was able to get engineering related information in time, which led to him obtaining contracts for construction projects. Based on that social capital, in 2000, he established

the Qiankun Real Estate Company and the Qiankun Property Company.

In 2003, through a friend who worked in the local government, Mr. Xie learnt that the local government had decided to sell the township's collective enterprise - the Sanjian Machine Factory. He sensed and seized this opportunity to buy it, and established the Xinkun Machinery enterprise based on that factory.

A former classmate of Mr Xie worked in the Dongfang Electric Corporation (DEC), which is one of the biggest state-owned companies in Sichuan Province. Through his Guanxi, Mr. Xie established a relationship of cooperation with DEC in 2004. This led to a huge order and improved the competitive advantage of the company.

In 2005, Mr. Xie acquired the township's paper factory and established the Qian Sen Paper Company. It was also Mr. Xie who got the information early through a friend working in the local government and secured the appropriate funds for the acquisition.

In 2008, there was an earthquake that had a huge affect on the city. After the earthquake, Mr. Xie got information from the local government that there was strong market demand for reconstruction. So, he established the Mianzhu City Zhucheng concrete company.

In 2010, Mr. Xie acquired the local bus company, and the company achieved diversified development

We find that the ability to sense, seize, and reconfigure stems from the core family members' social capital and that of Mr Xie. Through family members, friends, colleagues and Guanxi, they were able to sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and thus maintain the sustainable competitive advantage.

Case 15: Barrett Education Consulting Co., Ltd.

The Barrett Education Consulting Company was set up by Mr. Gu in Le Shan, Sichuan Province, 1992. It is mainly concerned with educational consulting.

From the interview, we know this company is a family business. In our interview, we interviewed Mr. Gu and his wife. Mr. Gu's father is the chairman of the board, and has 90% of the share. The other family members and CEO have the remaining 10% share. One uncle is responsible for the procurement, and another uncle is responsible for logistics. An aunt is responsible for private school finance. Mr. Gu's mother and wife are responsible for corporate finance.

So, we find that the family has overall ownership, and all the key management positions are

held by the family members and the strategic decisions are normally made by the core family. More general details are shown in Table 42.

Table 42 General Details of Barrett Education Consulting Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Barrett Education Consulting Co., Ltd.	1992	Si Chuan Province, Le Shan	600 employees, 25 million €	Educational Consulting, real estate, catering industry

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of the Barrett education consulting company - see Table 43.

Table 43 The development path of the Barrett Education Consulting Co., Ltd.

Year	Key events	Note
1992	Mr. Gu started in the business of cement logistics.	Entered this industry with his friends' guidance.
1993	Invested in the Emeishan cement factory.	Established a good relationship with the owner of the Emeishan cement factory.
1996	Got involved in real estate and established a company in Chengdu.	The cement factory had a strong relationship with the real estate industry. Then cooperated with friends to go into the business of real estate.
1998	Invested in coal mines.	The coal market underwent explosive growth during that period. Mr. Gu got that information from friends.
2000	Eliminated and sells the coal mining companies at a low profit.	The company had as many as seven coal mines.

2009	Established a private school, including a middle school and primary school.	Mr. Gu had a friend who is a famous teacher. So, Mr. Gu hired that friend as the rector of the school.
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Source: author

Based on the development path of the Barrett Education Consulting Co., Ltd. described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1992, Mr. Gu left the army and went back his hometown. With his comrades' guidance, Mr. Gu started up in the business of cement logistics. To achieve this, Mr. Gu established a good relationship with the owner of the Emeishan cement factory, and he started to invest in the factory.

The cement factory had a strong relationship with the real estate industry, and Mr. Gu accumulated a lot of social capital in the real estate industry. In 1996, the economic environment changed considerably and Mr. Gu sensed there was huge development potential in the real estate industry in Chengdu. So, with the cooperation of his friends he went into the business of real estate and established a company in Chengdu.

The coal market underwent explosive growth in 1998, so when Mr. Gu learnt of this from friends, he invested in a coal mine. In the years that followed, the company had as many as seven coal mines at one time. However, when it became government policy to reduce the use of highly polluting energy, Mr. Gu decided to get out of the coal business and ended up selling his coal mines at a low profit.

In 2009, through a friend with rich experience in education, Mr. Gu saw a new business opportunity in the education industry. Mr. Gu established a private school, which included a middle school and a primary school. At the same time, the school hired Mr. Gu's friend as the rector. In this way, the family business achieved diversified development.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they are able to sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, to then maintain the sustainable competitive advantage.

Case 16: Jason Building Materials Co., Ltd.

The Jason Building Materials Company was set up by Mr. Xing in Gui Yang, Gui Zhou Province, 2004. The company is mainly concerned with consumer products and retail.

Mr. Xing is the chairman of the board, and has an 80% share. His wife is responsible for finance and has a 20% share. Mr. Xing's brother is responsible for purchasing.

So, we find that the family has overall ownership, and all the key management positions are held by the family members, and the strategic decisions are normally made by the core family. More general details are shown in Table 44.

Table 44 General Details of Jason Building Materials Co., Ltd.

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Jason Building Materials Co., Ltd.	2004	Gui Zhou Province, Gui Yang	49 employees, 4 million €	Consumer products and retail

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of Jason Building Materials company - see Table 45.

Table 45 The development path of Jason Building Materials Co., Ltd.

Year	Key events	Note
1998	Mr. Xing worked in a furniture manufacturing company	Developed a good relationship with the owner and knew the enterprise operation well.
2002	Studied in America	During that time, he developed a good relationship with American and European furniture manufacturing companies.

2004	Established the Jason Building Materials Co., Ltd. in Guizhou	Obtained the funding support from the previous boss, and successfully obtained the agency rights of a famous Germany furniture brand.
2010	Established five branch companies in Guizhou province	Invited some MBA classmates to join the management of the companies. Mr. Xing has some friends that work in the local government.

Source: author

Based on the development path of the Jason Building Materials Company described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 1998, Mr. Xing worked in a furniture manufacturing company. Through that experience, he developed a good relationship with Mr. A, the owner of that company, and learnt a lot about the operation of the enterprise.

In 2002, through the Guanxi of Mr. A, he was presented with an opportunity to study in America. During the time that he studied and lived in the United States, he developed a good relationship with American and European furniture manufacturing companies. This led to the accumulation of the social capital which was to help a lot in his entrepreneurial journey in the future.

In 2004, Mr. Xing went back China and established the Jason Building Materials Co., Ltd. in Guizhou. He got the funding support from the previous boss Mr. A, and successfully obtained the agency rights of a famous Germany furniture brand through a friend in Europe.

In 2010, Mr. Xing invited some MBA classmates to join the operation of the company. The company developed fast and established five branch companies in Guizhou province. At the same time, some of his friends who worked in the local government helped a lot with regard to extending the business.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they are able to sense the opportunity or threat from the policy and industry trend, seize the information of related resources, and thus maintain the sustainable competitive advantage.

Case 17: Xiangsheng Group.

The Xiangsheng group was set up by Mr. Yao in Chengdu, Si Chuan Province, in 2004. It is mainly concerned with consumer products and retail.

Mr. Yao is the CEO of the company. His father is the chairman of the board and has 100% of the share. Mr. Yao’s mother and two brothers play no part in the management of the company.

So, we find that the family has overall ownership, and all the key management positions are held by the family members, and the strategic decisions are normally made by the core family. More general details are shown in Table 46.

Table 46 General details of Xiangsheng group

Name	Year of establishment	Provinces and regions	Number of employees and annual revenue	Industry and main business
Xiangsheng group	2010	Si Chuan Province, Chengdu	200 employees, 9 million €	E-commerce, agriculture etc.

Source: author

Based on the interview and the related data we collected from the enterprise, we can clearly show the development path of the Xiangsheng group - see Table 47.

Table 47 The development path of Xiangsheng Industrial Co., Ltd.

Year	Key events	Note
2010	Set up Xiangsheng Industrial company	Mr. Yao’s father had good relations with local government, and with his friends’ help, successfully obtained the land to set up the company.
2012	Mr. Yao became the CEO of the company, and the company started up in the business of I-garden.	Mr. Yao studied the I-garden business in Germany.

2013	Started up in the E-commerce business and trading	Cooperated with his classmate who worked in an E-commerce company.
2014	Started up in the real estate and hospitality business	A friend working in the local government helped to get the land.

Source: author

Based on the development path of the Xiangsheng group described above, we find that during the development of the enterprise, the important turning points are affected by its dynamic capability. This involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage.

In 2010, Mr. Yao's father set up the Xiang Sheng group. Mr. Yao's father had good relations with the local government. So, through his Guanxi with the government, the company successfully obtained the land to set up the company.

In 2012, Mr. Yao graduated from Germany. He came back China and became the CEO of the company. At the same time, Mr. Yao's father sensed that the government was encouraging business to develop the agriculture industry. Since Mr. Yao had studied I-garden in Germany, his father put him in charge of the I-garden business of the company.

In 2013, Mr. Yao cooperated with his classmate who worked in an E-commerce company. and his company started up in E-commerce business and trading.

In 2014, a friend working in the local government helped him to get land, and he started up in the real estate and hospitality business.

We find that the ability to sense, seize and reconfigure stems from the core family members' social capital, and from their family members, friends, colleagues and Guanxi, they are able to sense the opportunity or threat from the policy and industry trend, and seize the information of related resources, and thus maintain the sustainable competitive advantage.

4.3.2 Content analysis

In this sector, we will use the MAXQDA to analyze the 17 cases and the relationships between dynamic capability, social capital and competitive advantage.

Based on the MAXQDA, we activate the three first level codes - dynamic capability, social capital and competitive advantage - and then use visual tools to see the general statistical analysis about the code relations. First, we select the code relations browser function with the 17 case documents. Second, we set the analysis conditions. In the set of rows and in columns, we select activated codes, and according to the type of analysis, we select the co-occurrence of codes. Finally, displaying the nodes as values, we can get the code relations as shown in Table 48.

Table 48 Code relations among the dynamic capability, social capital and competitive advantage

Code system	Competitive Advantage	Social Capital	Guanxi	Network locations	Embedded Resources	Dynamic capability	Re-configuring	Seizing	Sensing
Competitive Advantage	0	130	130	129	127	130	62	124	130
Social Capital	130	0	135	135	131	132	64	126	133
Social Capital\ Guanxi	130	135	0	134	131	132	63	125	132
Social Capital\ Network locations	129	135	134	0	130	131	64	125	132
Social Capital\ Embedded Resources	127	131	131	130	0	129	63	124	129
Dynamic capability	130	132	132	131	129	0	64	125	132
Dynamic capability\ Re-configuring	62	64	63	64	63	64	0	65	64
Dynamic capability\ Seizing	124	126	125	125	124	125	65	0	126
Dynamic capability\ Sensing	130	133	132	132	129	132	64	126	0

Source: MAXQDA

As shown above, we can see that dynamic capability has a direct strong relation with competitive advantage in the development process of Chinese family business. Accordingly, we can find sensing, seizing and reconfiguring have a strong relation with the competitive advantage. This is because the competitive advantage stems from the organization sensing the opportunity or threat, seizing the VRIN resource, which leads to the path dependence bringing an increasing return effect. This, in turn, will promote the enterprise input-output into a lock that is in line with "Pareto Optimality". In the research on organization, efficient "locking" is the source of an enterprise's competitive advantage. However, the increasing return effect of "locking" will be eroded gradually by the changing environment as it becomes more and more ineffective and no longer suits the new development environment. Eventually, invalid "locking" becomes the source of core rigidity. According to the literature review, organizational flexibility is the important factor to break the inefficient "locking" of the enterprise. The reconfiguring ability of dynamic capability is the concrete manifestation to maintain organizational flexibility. And the dynamic capabilities are the source of a firm's sustainable competitive advantage, and are at the heart of a firm's long-term financial performance (Teece et al., 1997; Blyler and Coff, 2003; Hsu and Wang, 2010). This supports Proposition 4.

Besides, we also find that the social capital has a direct strong relation with competitive advantage in the development process of Chinese family business. Accordingly, we find that Guanxi, network locations and embedded resources have a strong relation with the competitive advantage. This supports Proposition 5.

What is more, based on the code relation analysis, we also find that the dynamic capability and social capital have strong relations in the development process of Chinese family business. Here, we will analyze the sensing, seizing and re-configuring ability from the perspective of embedded resources, network locations and Guanxi as shown in Table 49. This supports Propositions 1a, 1b, 1c, 2a, 2b, 2c, 3a, 3b, 3c.

Table 49 The interaction between the dynamic capability and the social capital

Variables	Operator fundamentals	References of interviewees
Sensing	<p>The embedded resources have a positive impact on sensing the opportunities or threats.</p> <p>The network locations have a positive impact on sensing the opportunities or threats.</p> <p>Guanxi has a positive impact on sensing the opportunities or threats.</p>	<p>Case1: through the Guanxi of Ms. Fan’s friends and classmates, they can get the market information and the opportunity or theory in the dynamic environment.</p> <p>Case2: A friend of the father worked in a famous company of Japan, so he obtained the information that the company wanted to extend their overseas market, which provided an opportunity for the family.</p> <p>Case3: Ms. Jin’s grandfather was engaged in the construction industry for many years. He learnt there is a huge demand for the hotel with the development of the city.</p> <p>Case4: The development of an enterprise needs to rely on various resources, especially social capital. Mr. Li obtained information that the fitness club was selling the branch company in Zhengzhou through his friend.</p> <p>Case5: Mr. Yang has a friend working in the local government, and through that friend, gets the information that the local government will invest in the Infrastructure construction.</p> <p>Case6: Through Guanxi, Mr Cui gets the information from a government department that the private economy has great potential for development, and then he decides to his own business.</p> <p>Case7: Mr. Zhang’s brother is demobilized from the army. With the help of his comrades (working in Da Lian government), he saw the business opportunity</p>

	<p>that Da Lian city has a strong demand for steel structure curtain wall installation.</p> <p>Case8: Mr. Sun's friend works in Geely Automobile, and tells him the company is looking for a supplier of accessories.</p> <p>Case9: Mr. Zhang's uncle is the general manager of the listed company Tiantong, which has the right to formulate national or industry standards of soft magnet industry. Based on that, Mr. Zhang finds new market opportunity.</p> <p>Case10: Through the friends, Mr. Hu's parents get the information that the government will invest into the local infrastructure construction.</p> <p>Case11: With friends' suggestion, Mr. Liu's brother sees the opportunity of trading.</p> <p>Case12: Mr. Bin served as a project manager in Chengdu Road and Bridge Engineering Co., Ltd and as a construction supervisor for China Mobile and local power companies. He finds there is opportunity in engineering industry.</p> <p>Case13: Mr. Li's father was the general manager of a Township enterprise and worked in the local government. That helps the family to find the opportunity to establish the company.</p> <p>Case14: Get the information from the friends, who frequently come to the restaurant, that the transportation has more profit. Through these relationships, Mr. Xie can get engineering related information in time.</p> <p>Case15: With his comrades' guide, Mr. Gu fined the opportunity in real estate industry.</p> <p>Case16: During study abroad, Mr. Xing makes a good relation with America and</p>
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		<p>Europe furniture manufacturing companies. He finds the opportunity and the market.</p> <p>Case17: Mr. Yao's father has many friends working in local government, and fined the business opportunity to cooperate with the local government.</p>
<p align="center">Seizing</p>	<p>The embedded resources have a positive impact on seizing the opportunities or other related information.</p> <p>The network locations have a positive impact on seizing the opportunities or other related information.</p> <p>Guanxi has a positive impact on seizing the opportunities or other related information.</p>	<p>Case1: Mr. Cheng's father is a member of the Wuchang District Political Consultative Conference, through this position, the Family business can get related resources fast.</p> <p>Case2: Father's friend worked in that manufacturing company of Japan, so they successfully contacted the company and reached an agreement to be the exclusive agent in the local market.</p> <p>Case3: Based on the grandfather's Guanxi, the family successful gets the land, and constructs the building.</p> <p>Case4: through his friend, Mr. Li contacts the fitness company and confirms he will buy the branch fitness club.</p> <p>Case5: Through his friend, Mr. Yang's company cooperates with the local government to build the highway. Through another friend, the company gets the loan from the bank fast.</p> <p>Case6: Based on their good relation with the leader of supply and marketing cooperatives, Mr. Cui's family get the supply from there without prepayments.</p> <p>Case7: With friends' help, Mr. Zhang's brother gets the land and establishes the factory at his home town, and then supplies the product to Da Lian.</p> <p>Case8: Upgrades the production line, and cooperates with Geely Automobile.</p>

	<p>Case9: With the help of Mr. Zhang’s uncle, the firm solves the technical problem and sets up some cooperation.</p> <p>Case10: With friends’ help, the family gets the loan from the bank, and Mr. Hu’s mother establishes the company.</p> <p>Case11: Mr. Liu’s brother establishes the company with friends and family member’s help. His sister brings the supplier, and Mr. Liu brings the loan from the bank.</p> <p>Case12: Mr. Bin gets a lot of engineering experience and built a relation network. That helps him to establish the company and get the first contract.</p> <p>Case13: With friends help, the family borrows the initial funding to establish the enterprise.</p> <p>Case14: Mr. Xie has a classmate working in the Dongfang Electric Corporation and he helps to build the cooperation.</p> <p>Case15: With friends’ suggestion, Mr. Gu invests into the cement factory and involve into the real estate industry.</p> <p>Case16: Mr. Xing gets the funding support from the previous boss, and successfully gets the agency right of a famous Germany furniture brand.</p> <p>Case17: With friends’ information and help, Mr. Yao successful get the land to establish the local company.</p>
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<p align="center">Re- configuring</p>	<p>The embedded resources have a positive impact on reconfiguring the resources and process.</p> <p>The network locations have a positive impact on reconfiguring the resources and process.</p> <p>Guanxi has a positive impact on reconfiguring the resources and process</p>	<p>Case1: Through the friend working in the government, they learn that the real estate industry is beginning to shrink and the bank is starting to tighten the loans. So, the family considers investing in other related industries.</p> <p>Case2: After cooperation with the Japanese company, the family business changes from a retail shop to an exclusive agent</p> <p>Case3: Through the friend working in the Jinjiang hotel, the family cooperated with the hotel.</p> <p>Case4: The President of Henan Model Association is Mr. Li’s friend, through this Guanxi, the family gets the information and cooperates with the local model association to train the models.</p> <p>Case5: With Mr. Yang friend’s help, the family establishes a trading company to supply the demand for development of infrastructure construction.</p> <p>Case6: Through his brother, Mr. Cui starts to invest in the real-estate industry.</p> <p>Case7: Mr. Zhang wants to invest in the building construction market with his friend who has related work experience.</p> <p>Case8: in order to cooperate with a bigger company, the firm is planning to design new products by itself.</p> <p>Case9: Mr. Zhang’s class mate helps in the research and development of the new product.</p> <p>Case10: With the support of their Guanxi, the family get involved in engineering, dining and entertainment, and culture media industries.</p> <p>Case11: Through the relationship of a friend of the sister, they communicate with</p>
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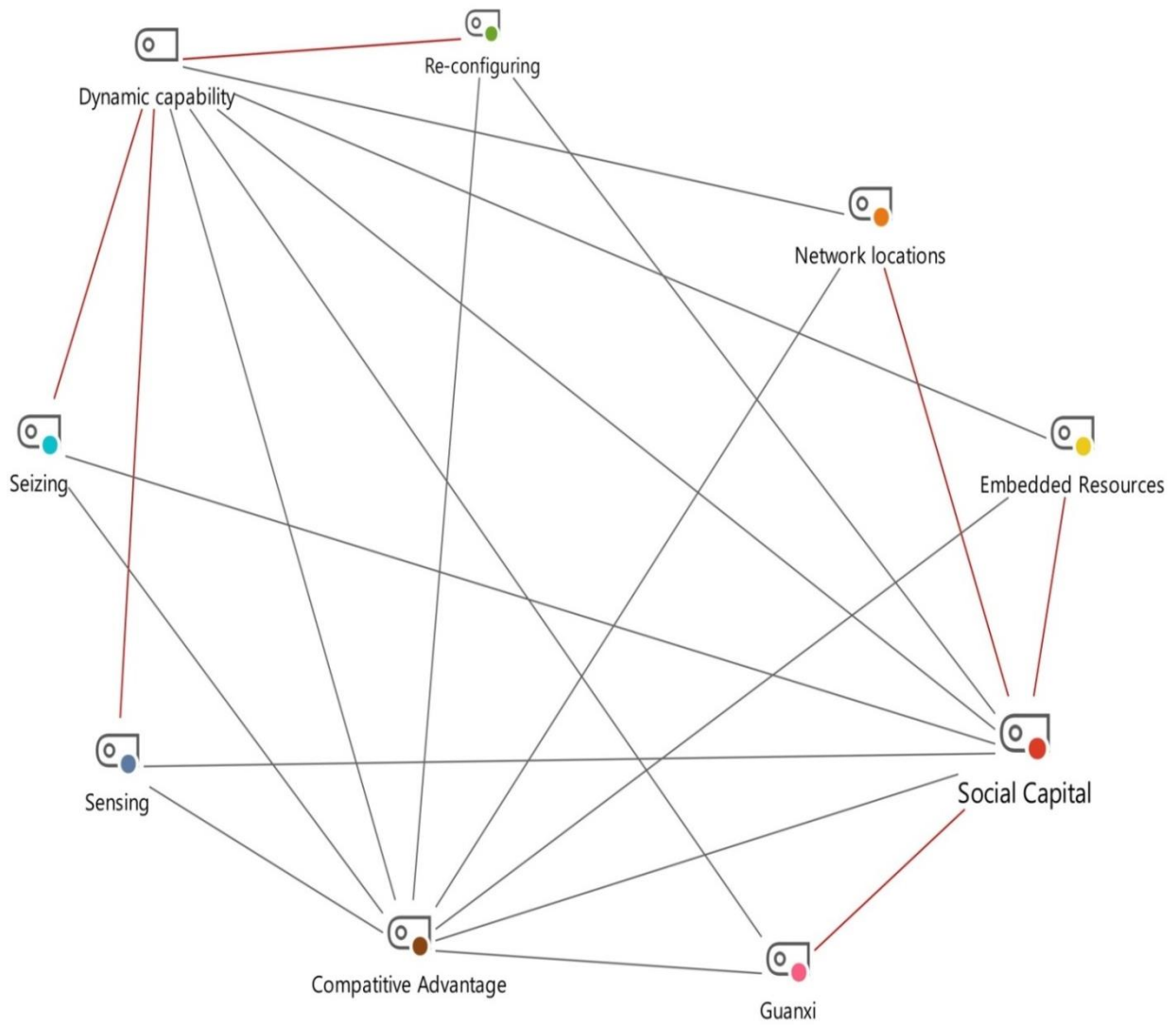
	<p>the government and get the land, qualifications, and funding.</p> <p>Case12: Many of Mr. Bin's classmates involved in the establishment of two new companies. They have affluence related working experience, wide network, and social capital.</p> <p>Case13: A friend of Mr. Li, who works in the Dongfang Electric Corporation, helps to achieve the cooperation. That helps the company achieve diversified business development, including casting processing, special pipe industry, mining machinery and mining.</p> <p>Case14: After the earthquake, get the information from the local government that there is a strong market demand for reconstruction. Establish the Mianzhu City Zhucheng concrete company.</p> <p>Case15: Find the market in education industry, Mr. Gu decides to establish a private school and he hired a friend, who is a famous teacher and the rector of a school, to manage the new school.</p> <p>Case16: Mr. Xing has some MBA classmates working in the government. With their help, the company enters and opens new markets.</p> <p>Case17: the government encourages the internet technology development, and Mr. Yao cooperate with his classmate who worked in an E-commerce company to invest into this industry.</p>
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Source: edit by the author

4.3.3 Research result interpretation by variable

Based on the MAXQDA analysis, and in order to see the overall relationship of the variables in one generation of the family business, we use the MAX Maps function to select the code-occurrence model item and inputting variables of the dynamic capability, social capital, and competitive advantage. Thus, we can get the relation map of these variables, as shown in Figure 16.

Figure 16 The relation map of dynamic capability, social capital, and competitive advantage in the Chinese family business



Source: MAXQDA

Based on the relation map of Figure 16, we can see that:

First, in Chinese family business, the dynamic capability involving the ability to sense, seize and reconfigure, has a strong relationship with competitive advantage in the development process of Chinese family business. Based on the literature review, we know that dynamic capability brings the competitive advantage. This confirms proposition 4, which is that in Chinese family business, dynamic capability has a positive impact on achieving competitive advantage;

Second, in Chinese family business, the social capital involving embedded resources, network locations, and Guanxi, has strong relationships with the competitive advantage. And according to the research, we know that social capital is an important source of the competitive advantage. This confirms proposition 5, which is that in Chinese family business, social capital involving Guanxi has a positive impact on achieving competitive advantage;

And third, in Chinese family business, social capital has a strong relationship with dynamic capability. The embedded resource, network locations, and Guanxi affect and bring the sensing, seizing and reconfiguring ability of an organization. In other words, social capital can be explained as one kind of dynamic capability, which helps the family business to sense the environment, seize the VRIN resources, form the path dependence and achieve the competitive advantage. What is more, social capital also helps the family business release resources, reconfigure the business and achieve new path dependence and gain new competitive advantage. This confirms proposition 1, proposition 2, and proposition 3 that shown behind.

Proposition 1 a: In Chinese family business, the embedded resources have positive impact on sensing the opportunities or threats.

Proposition 1 b: In Chinese family business, the embedded resources have positive impact on seizing the opportunities or other related information.

Proposition 1 c: In Chinese family business, the embedded resources have positive impact on reconfiguring the resources and process.

Proposition 2 a: In Chinese family business, the network locations have positive impact on sensing the opportunities or threats.

Proposition 2 b: In Chinese family business, the network locations have positive impact on seizing the opportunities or other related information.

Proposition 2 c: In Chinese family business, the network locations have positive impact on reconfiguring the resources and process.

Proposition 3 a: In Chinese family business, Guanxi has positive impact on sensing the opportunities or threats.

Proposition 3 b: In Chinese family business, Guanxi has positive impact on seizing the opportunities or other related information.

Proposition 3 c: In Chinese family business, Guanxi has positive impact on reconfiguring the resources and process.

4.4 Field research 2: Social capital and dynamic capability in the succession of Chinese family business

4.4.1 Case study

As mentioned in chapter 3, we interviewed 17 family businesses. During each interview, general questions were asked regarding the firm's background and the process of management transfer to the next generation. The participants were then asked a series of more specific questions regarding the firm's key relationships (Steier and Greenwood, 2000), as well as the manner and means by which they are transferred between generations.

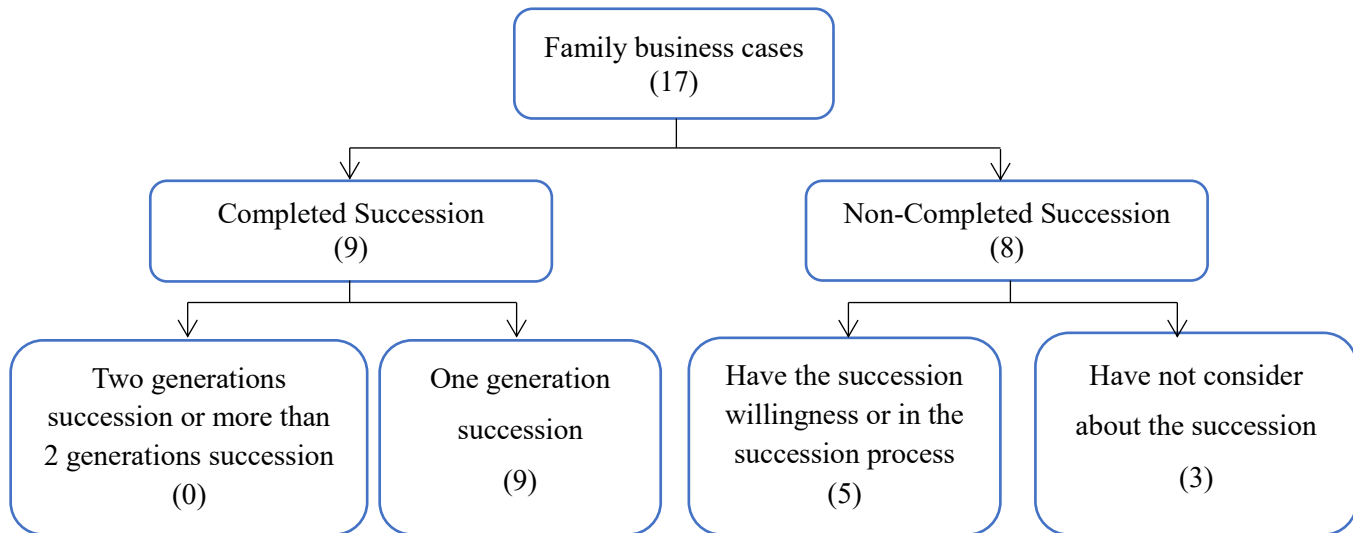
Based on the situation about succession, we can divide the 17 family business cases into two groups as shown in Figure 17.

In one group are the family businesses that have completed the succession process, which gives a total of nine cases. None of them have achieved a succession of two generations or more. All the family businesses of group one have completed a one generation succession. The reason for this is presented in sector 4.2, the modern development history of Chinese family business. We find that from 1949 to 1978, there was no private economy on mainland China. It was only after 1978 that the private economy began to recover, and the same happened to family business. Thus, to reiterate, there was not one case in the first group that had a two or more than two generations succession.

The other group concerns family businesses where no succession has been completed. This group involved the remaining eight cases. Five of them show succession willingness or are in the

succession process. That leaves three cases in which the core family have not yet considered succession, because the next generation are too young.

Figure 17 Groups of 17 family business cases



Source: edit by the author

So, in this sector, we will look at each case study separately based on the two groups. And we will study the interaction of social capital and dynamic capability during the process of family business succession.

In chapter 2, we reviewed the research on succession. Churchill and Hatten (1987) set out the life cycles of the family business generations from the perspective of succession. Based on that, Cater and Kidwell (2014) proposed a model for the stages of successor development in family firms, identifying the roles of the incumbent family leader and the successors. In Stage 1, the incumbent begins planning for retirement and looks for possible successors to identify as prospective candidates. In Stage 2, the incumbent assesses possible successors and the potential successors enter the business, learn to manage, and may compete with each other. In Stage 3, the incumbent chooses the successor group, reduces his or her leadership role and the successors are identified and chosen. In Stage 4, the incumbent exits from company leadership by retirement or death, and the successors operate as a leadership group. In this section, we will analysis the

succession process in family business following these four stages.

4.4.1.1 Family businesses that completed the succession process

In group 1, we will analysis the family businesses that have completed succession. These are Cases 2, 3, 6, 9, 10, 13, 14, 15 and 17.

Case 2: SARINA

The details of Sarina are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, the parents sent their son, Mr. Wei, to study abroad. After Mr. Wei graduated, he worked in an import and export company. During that time, he made good friends of his own, which means he accumulated and built his own social capital. In addition to this, his parents also took him to several events and introduced him to their friends. This is the stage in which the founder starts transferring his knowledge and social capital.

In stage 2, Mr. Wei started working in the family business. During this time, he gets to know the whole operation process of the business, and he is in charge of the market management. In this stage, the founder starts to transfer the management rights.

In stage 3, Mr. Wei worked as the general manager. Based on his work experience in the import and export company, Mr. Wei decided to get involved in international trade. With his friends' help, he senses a potential market for agricultural products, so Mr. Wei discusses this with his parents and makes the plan to enter that market.

In stage 4, the parents stand down from the company leadership. Mr. Wei is in total charge of the firm. Now the company is pursuing diversified development. It not only has the traditional retail but it also has the export business. In this stage, the second generation gets ownership of the company. Through these four different stages, the management right and ownership was transferred from the parents to Mr. Wei. And the parents also transferred their most important social capital to the son. What is more, during this process, Mr. Wei accumulated his own Guanxi including his classmates and colleague. These two sources of social capital combined together to form new social capital for the family, and guided the company into diversified development.

Case 3: GWBG Co., Ltd.

The details of the GWBG Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Ms. Chen's father is the founder of the family business and in charge of the construction company. He sent his children to university. In this stage, the family is mainly concerned with transferring knowledge to the next generation.

In Stage 2, Ms. Chen's father encouraged Ms. Chen and her husband to work in the company. With friends' help, the family buys land on which to build a hotel. Ms. Chen took charge of finance, and her husband became project manager. The father took the couple to some important events and introduced them to his friends. In this stage the founder is starting to transfer the management right.

In Stage 3, the couple deal with the day-to day matters, only asking their father about the important matters.

In Stage 4, the father passed away and the couple took overall control of the company. Based on the Guanxi transferred from their father, the company cooperated with the hotel chain "Jin Jiang star", and leased the building. In this stage the family finished transferring the management right and ownership.

The couple are not good at building social relations, so they have to maintain the important Guanxi transferred from their father.

Case 6: Hou Pu Stationery Co., Ltd.

The details of the Hou Pu Stationery Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Cui's father established the enterprise, and sent Mr. Cui to work in a state-owned company. Mr. Cui accumulated his own friends, Guanxi and built a relationship with the government. He also got the market information and sensed the policy trend. In this stage, the second generation started acquiring knowledge and accumulating social capital.

In Stage 2, Mr. Cui and his brother started managing a branch of the retail company. Mr. Cui has a good relationship with government, and so can build a stable sales channel. And also, his

former colleagues cooperated with him to build a stable supply chain. Besides, the father took his sons to many events and introduced them to his friends. In this stage, the founder transfers the social capital and management to the next generation.

In Stage 3, Mr. Cui became the general manager of the retail company. His brother left the company and secured funding to start his own business.

In Stage 4, Mr. Cui's father stood down from the company leadership, and Mr. Cui took over control of the company. Through his friends, Mr. Cui discovered the potential market of root carving and stone carving and started investing in that. The company is now pursuing diversified development. This is the stage in which the transfer of ownership is completed.

During the succession process, Mr. Cui maintained the important social capital transferred from his father and also built his own valuable Guanxi. Based on that, the company achieved diversified development.

Case 9: Sino beacon Lighting Co., Ltd.

The details of the Sino beacon Lighting Co., Ltd. are described above. Here we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Zhang's father sent Mr. Zhang to study abroad. Mr. Zhang obtained a good education and made many friends in different industries. In this stage, the family is mainly focused on transferring knowledge to the next generation.

In Stage 2, after Mr. Zhang graduated, he joined his family's company and was put in charge of sales. His father took him to some events and introduced Mr. Zhang to his friends. However, Mr. Zhang and his father had some differences of opinion. In this stage, the founder started transferring the social capital and management to the next generation.

In Stage 3, Mr. Zhang left the company and established his own company. With his friends' help, he hires many professional technicians. The new company is mainly focused on new product research and design.

In Stage 4, Mr. Zhang's father retired and transferred the whole family business to Mr. Zhang. This is the stage in which the transfer of ownership is completed.

During the succession process, Mr. Zhang maintained the important social capital transferred from his father and also built up his own valuable Guanxi. Based on that, Mr. Zhang established

his own enterprise and cooperated with the old company. The family business achieved diversified development.

Case 10: Cheng Xin Group

The details of the Cheng Xin Group are described above. Here, we mainly analyze the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Hu's family had a strong government background, with many family members working in the government, and his father was the local governor. His mother established the engineering construction company. Mr. Hu's parents sent him to the best university and gave him financial backing to start his own business in the Hotel and Restaurant industry. That experience helped him make many friends and to accumulate his own social capital. In this stage, the family transferred its knowledge to the next generation.

In Stage 2, Mr. Hu returned to his hometown and joined the family business. His parents introduced him to their friends at many events. In addition, he made new friends through industry association. In this stage, his parents started transferring the social capital and management right to the next generation.

In Stage 3, Mr. Hu became the general manager of the enterprise, and dealt with the daily matters, although some more important issues had to be discussed at the family meetings. Based on Mr. Hu's social capital, the company started to invest in the dining and entertainment, and culture media industry.

In Stage 4, his parents stood down from the company leadership, giving Mr. Hu overall control of the firm. The company pursued diversified development to include real estate and construction engineering, dining and entertainment, and culture media. This is the stage in which the transfer of ownership is completed.

During the succession process, Mr. Hu maintained the important social capital transferred from his father and also built his own valuable Guanxi. The family business achieved diversified development.

Case 13: Yu Xin Machinery Manufacturing Co., Ltd.

The details of the Yu Xin Machinery Manufacturing Co., Ltd. are described above. Here, we

mainly analyze the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Li's father established the Yu Xin Machinery Manufacturing Co., Ltd and sent Mr. Li to study abroad. In this stage, the founder started transferring knowledge.

In Stage 2, after Mr. Li graduated, he joined the family company and was put in charge of marketing. His father took him to some events and introduced Mr. Li to his friends. Meanwhile, Mr. Li had made many new friends of his own while studying for his MBA. In this stage, the family started transferring the management right and social capital to the next generation.

In Stage 3, Mr. Li took over as the general manager of the company. The family business cooperated with the Dongfang Electric Corporation, one of the biggest state-owned companies, through a classmate who worked there.

In Stage 4, Mr. Li's father stood down from the company leadership, and Mr. Li took overall control of the company. This is the stage in which the transfer of ownership is completed. During the succession process, Mr. Li maintained the important social capital transferred from his father and also built his own valuable Guanxi. The family business achieved stable development.

Case 14: Qiankun Group

The details of the Qiankun Group are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Xie's father established the Qiankun Real Estate Company and Qiankun Property Company. At the same time, he sent Mr. Xie to study abroad. In this stage, the founder focused on his son's education and transferring knowledge to him.

In Stage 2, after Mr. Xie graduated, he joined the family business and was put in charge of extending new business. His father took him to many events and introduced Mr. Xie to his friends and partners. Mr. Xie also made new friends through some training programs and industry associations. In this stage, the founder started transferring the social capital and management right to the successor.

In Stage 3, Mr. Xie became the general manager of the company. The family business cooperated with the Dongfang Electric Corporation, one of the biggest state-owned companies, through a classmate who worked there.

In Stage 4, Mr. Xie's father stood down from the company leadership, and Mr. Xie took overall control of the company. Based on his Guanxi, the company started extending the overseas market and export business. This is the stage in which the transfer of ownership is completed. During the succession process, Mr. Xie maintained the important social capital transferred from his father and also built up his own valuable Guanxi. The family business achieved stable development.

Case 15: Barrett Education Consulting Co., Ltd.

The details of the Barrett Education Consulting Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Gu's father established the family business and sent Mr. Gu to study abroad. During Mr. Gu's course of study abroad, he met his future wife whose family also had their own business. They got married after graduation. In this stage, the founder started transferring knowledge to his son and focused on furthering his education.

In Stage 2, after Mr. Gu graduated, he joined the family business and was put in charge of extending new business. Mr. Gu's father took him to many events and introduced him to his friends and partners. In this, stage, the family started transferring the social capital and management right to the son.

In Stage 3, Mr. Gu is the general manager of the company, and his wife is in charge of finance. Important decisions are still discussed at family meetings.

In Stage 4, Mr. Gu's father stood down from the company leadership. Mr. Gu and his wife took overall control of the company. Based on the wife's family business, the company extended into the real estate and catering industry. This is the stage in which the transfer of ownership is completed and the family business passed to the next generation.

During the succession process, Mr. Gu maintained the important social capital transferred from his father and also built his own valuable Guanxi. What is more, since Mr. Gu's wife also had a family business, the two families began a close cooperation after they married. Based on that Guanxi, the development of Mr. Gu's family business diversified and became involved in the real estate and catering industry.

Case 17: Xiangsheng Industrial Co., Ltd.

The details of the Xiangsheng Industrial Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Yao's father had a good relationship with local government, and with his friends' help, successfully obtained land to set up his company. Mr. Yao and his younger brother were sent abroad to study. In this stage, the family started transferring knowledge, focusing on the education of the next generation.

In Stage 2, on their return after graduation, Mr. Yao's brother showed more interest in the arts so only one of the brothers - Mr. Yao - joined the family business, working as a project manager. Mr. Yao's father took him to many events and introduced him to his friends and partners. In this stage, the founder began the process of transferring the social capital and management right to the next generation.

In Stage 3, Mr. Yao became the CEO of the company. In order to extend his Guanxi, Mr. Yao enrolled to study in some training programs and made many new friends there. With his friends' help, the company started up in the business of I-garden and the E-commerce business.

In Stage 4, Mr. Yao's father stood down from the company leadership. Mr. Yao took overall control of the company. This is the stage in which the transfer of ownership is completed.

During the succession process, Mr. Yao maintained the important social capital transferred from his father and also built his own valuable Guanxi through studying in some training programs and making new associations. The family business achieved diversified development.

4.4.1.2 Family businesses that do not complete the succession

In group 2, we will analysis the family businesses that do not complete the succession. In this group, there are the five family businesses that have either demonstrated succession willingness, or are in the succession process. These involve Cases 1, 4, 7, 8 and 11. Also included in this group are the three family businesses that have not considered succession. These are Cases 5, 12 and 16.

Case 1: C.N. Wire and Cable Co., Ltd.

The details of the C.N. Wire and Cable Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms

set out by Cater and Kidwell (2014). Because the second generation have yet to complete their university education, the succession process of the family business is shown as follows.

In Stage 1, Ms. Fan set up the company with the family's help. The family hopes the son will inherit the company in the future. To this end, the family ensure that the son gets a good education and training. And the family starts transferring knowledge about the firm to the son.

In Stage 2, while studying for his master degree, Mr. Chen, the son of the founder, does an internship in the company, which helps him get to know the company better. What is more, the owner also takes her son to some events or meetings to introduce him to her friends and partners. So, in this stage, the family has started transferring the social capital.

With regard to this family business, we can see that the family hopes the second generation will manage the company in the future as they have set in motion a schedule to train the successor and transfer the social capital and important Guanxi to him.

Case 4: Wade Fitness Management Co., Ltd.

The details of the Wade Fitness Management Co., Ltd. are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014). Because the second generation have yet to complete their university education, the succession process of the family business is shown as follows.

In Stage 1, Mr. Li established the Wade Fitness Management company. Mr. Li is the chairman of the board. Mr. Li's wife is responsible for financial management. Mr. Li's brother is responsible for logistics management. In addition, a professional manager is hired as the CEO. The family focuses on the education of the children and starts transferring the knowledge.

Having an only daughter, Mr. Li hopes she will be the successor of the family business in the future. To ensure that she will become a good manager, he provides her with the best education environment. If, however, they come to realise the daughter is not suited to managing the company, then her future husband may be considered as successor. Failing that, ownership may be transferred elsewhere.

So, for the reason stated above, we can see that the succession process of this family business is still in Stage 1. However, the family is already preparing to introduce the important social capital to the second-generation step by step.

Case 7: European and American Steel Structure Curtain Wall Technology Co., Ltd.

The details of the European and American Steel Structure Curtain Wall Technology Co., Ltd. are described above. Here, we mainly analyze the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

Mr. Zhang established the company with his comrades' help. Mr. Zhang is the chairman of the board, and has 100% of the share. Mr. Zhang's wife is responsible for the financial management. Mr. Zhang's brother is responsible for sales, business negotiation and arrears management. The sister-in-law is responsible for material procurement. Mr. Zhang has one son and one daughter. The family has sent the son to study abroad and hope that he will return to manage the enterprise in the future. During vacations, Mr. Zhang will ask his son to participate in the family meetings and take him to attend some events. We can see that the family has started transferring knowledge and social capital to the next generation.

So, for the reason stated above, we can see that the succession process of this family business is still in Stage 1. However, the family is already preparing to introduce the important social capital to the second-generation step by step.

Case 8: Xintong Auto Parts Co., Ltd.

The details of Xintong Auto Parts Co., Ltd. are described above. Here we mainly analysis the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, Mr. Sun established the company and cooperated with Geely Auto and Lifan Auto. Mr. Sun has one son whom the family provide with a good education in the hope that he will take over the company in the future. This is the start of knowledge transference.

In Stage 2, after the son graduated he began working in the family business as a project manager. At the same time, the son got married and his wife is the daughter of one of Mr. Sun 's friends who also has a family business. In addition, Mr. Sun introduces his son to friends and partners during meetings and at events. In this stage, the family has started transferring the social capital and management rights.

So, we can see that the succession process of this family business is in Stage 2, because the second generation is working in the family business and learning to manage. The founder has the awareness to introduce the important social capital to the second generation. What is more, through

marriage, the two families each with its own family business, merged. So, the two-family businesses achieve an alliance and can cooperate. And, at the same time, the two families increase their social capital.

Case II: Fusen-Noble House

The details of Fusen-Noble House are described above. Here, we mainly analyse the period of succession using the stages model of successor development in family firms set out by Cater and Kidwell (2014).

In Stage 1, with the family's help, Mr. Liu's younger brother established the company. Mr. Liu's younger brother is the chairman of the board and has 54% of the share. Mr. Liu's sister is the vice chairman of the board and has 36% of the share. Mr. Liu is the CEO and has 10% of the share. Mr. Liu's brother has one son and one daughter, Mr. Liu has one son and Mr. Liu's sister has one daughter. In order to provide a good education and growth environment, the family spends a lot on the children, hoping they will manage the family business in the future. While all of the younger generation are still at university, the family also gives them enough free space to develop their knowledge and their own social network. In this stage, the family starts transferring their knowledge to the second generation.

So, we can see that the succession process of this family business is still in Stage 1, because the second generation is still studying at the university and are not involved in the family business. Meanwhile, the family has the awareness to introduce the important social capital to the second-generation step by step.

This leaves the three family businesses that have not considered succession. They are Cases 5, 12 and 16. The details of these three family businesses are shown above in 4.3.1, and we can see several points in common: the founders are young couples; the next generations are very young; and although these families have not considered succession, they pay attention to the education and training of their children.

4.4.2 Content analysis

From the previous sector, we know the general situation of the succession process of each case in our study. We also know the important role that social capital and dynamic capability play

during the succession process.

In this sector, we will use the MAXQDA to analyze the 17 cases, and to analyze the relations between dynamic capability, social capital, competitive advantage during the succession process.

Based on the MAXQDA, we activate the three first-level codes involving dynamic capability, social capital and competitive advantage, and then use visual tools to see the general statistical analysis about the code relations. First, we select the code relations browser function with the 17 case documents. Second, we set the analysis conditions. In the set of rows and in columns, we select activated codes, and with regard to the type of analysis, we select the co-occurrence of codes. Finally, by displaying the nodes as values, we can get the code relations as shown in Table 50.

We can see that the sum of “Succession”, “Succession \knowledge”, “and Succession \Social capital” are 14, the sum of “Succession \ Ownership and management right” is 9. This is because, in the 17 family business cases, a total of 9 cases completed the succession process, 8 cases have not completed the succession process, and five of that show succession willingness or are in the succession process. At the same time, there are three cases where the core family have not considered the succession because the next generation are too young.

Sustainable Development of Chinese Family Businesses: A Dynamic Capability Approach

Table 50 Relations between the dynamic capability, social capital, succession and competitive advantage

	Competitive Advantage	Succession	Succession \ Ownership and management right	Succession \ Knowledge	Succession \ Social capital	Social Capital	Social Capital \ Guanxi	Social Capital \ Network locations	Social Capital \ Embedded Resources	Dynamic capability	Dynamic capability \ Re-configuring	Dynamic capability \ Seizing	Dynamic capability \ Sensing
Case 1	1	1	0	1	1	1	1	1	1	1	1	1	1
Case 2	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 3	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 4	1	1	0	1	1	1	1	1	1	1	1	1	1
Case 5	1	0	0	0	0	1	1	1	1	1	1	1	1
Case 6	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 7	1	1	0	1	1	1	1	1	1	1	1	1	1
Case 8	1	1	0	1	1	1	1	1	1	1	1	1	1
Case 9	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 10	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 11	1	1	0	1	1	1	1	1	1	1	1	1	1
Case 12	1	0	0	0	0	1	1	1	1	1	1	1	1
Case 13	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 14	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 15	1	1	1	1	1	1	1	1	1	1	1	1	1
Case 16	1	0	0	0	0	1	1	1	1	1	1	1	1
Case 17	1	1	1	1	1	1	1	1	1	1	1	1	1
Sum	17	14	9	14	14	17	17	17	17	17	17	17	17

Source: MAXQDA

Based on the classification and definition of social capital in the literature review, we classify and analyze the social capital during the succession process within the family businesses.

According to Lin's (1999) research, there are two principal approaches to measure the social capital as assets captured by individuals in social networks as shown in Table 8. One approach is to measure the network resources and contact statuses, and this focuses on the embedded resources. The other approach is to measure the strength of ties and bridges, or how access to bridges facilitates returns in actions, and this approach focuses on the network locations. So and Walker (2006) argue that Guanxi is a complicated item in Chinese culture, and it is used to describe personal relationships between people. The Chinese clearly recognize Guanxi as a powerful aid to business, and it is also widely acknowledged by non-Chinese businessmen in their dealings with Chinese businesses. In our research, we consider Guanxi to be a form of social capital.

In this research section, the main research point is the social capital and dynamic capability in the succession process of family businesses. So here, we will mainly analyze the succession process from the perspective of social capital and dynamic capability. As we discussed in the case studies, the succession of dynamic capability is based on the succession of social capital. Or we can say that the dynamic capability is transferred to the next generation together with the social capital.

Our analysis of the succession process is shown below in Table 51.

Table 51 The succession process of the cases

Variables	Operator fundamentals	References of interviewees
Succession	Embedded Resources	<p>Case 1: Encourages and takes the son to many social events, and introduces him to the partners, cooperators and also some friends from the government.</p> <p>Case 2: the parents ask the son to help contact the partners and the suppliers about the business.</p> <p>Case 3: The founder introduces his friends and professional managers to the son.</p> <p>Case 4: Takes the daughter to attend some private events and introduces her to friends.</p> <p>Case 6: The founder introduces his son to his friends at informal events. The second generation also asks the third generation to participate in many events to transfer the embedded resources.</p> <p>Case 7: asks the second generation to do an internship in the company, and to make some links with the partners and, cooperators and also some friends from the government</p> <p>Case 8: the founder asks the son to work in the company as vice general manager and to establish contact with all the related key persons.</p> <p>Case 9: The founder introduces the son to partners, cooperators and also some friends from the government.</p> <p>Case 10: “In the past, my mother would take me to visit some very important people, and she would also remind me to visit them frequently. The most important part of the succession is the inheritance of social resources and capital.”</p> <p>Case 11: Encourages and takes the second generation to attend many social events, and introduces them to the key partners and also to some friends from the government.</p>

	<p>Case 13: the founder asks the son to work in the company and introduces the son to the partners, cooperators and all the related key persons.</p> <p>Case 14: Takes the son to attend some private events and introduces him to his friends.</p> <p>Case 15: The son works in the company and the founder introduces the son to the partners, cooperators and all the related key persons</p> <p>Case 17: The son works in the company and the founder introduce the son to the partners, cooperators and all the related key persons</p>
Network locations	<p>Case 1: Recommends the son enrolls in some advanced training courses to establish a network of classmates in different fields.</p> <p>Case 2: The founder sent the son to study abroad, hoping he would get the best education since that can help the son achieve a better position, and accumulate his own Guanxi and embedded resources.</p> <p>Case 3: the couple send the daughter to a good university and hope she can find a good husband with a good social position.</p> <p>Case 4: the founder sends the daughter to a good university. The parents hope the good education can help the daughter achieve a good position in society.</p> <p>Case 6: the daughter married a government official.</p> <p>Case 7: The founder sent the son to study abroad, hoping he would get the best education. Education can help the son achieve a better position, and then accumulate his own social capital.</p> <p>Case 8: the founder and the son participate in the local government political consultation. The son's wife is from another family with their own business.</p> <p>Case 9: the founder's uncle is managing the leading company in that industry. The son enrolls in the industry association.</p>

	<p>Case 10: “Since my grandpa, in fact, we have no assets and no real wealth. What we have accumulated is social capital or the network.” In fact, a network has been formed. Therefore, the inheritance of family businesses not only trains the successors of enterprises, but also cultivates political figures.</p> <p>Case 11: The family sent the second generation to study abroad, hoping they would get the best education. Encouraged them to work in the biggest companies, and then accumulate their own social capital.</p> <p>Case 13: the family arrange for the son to work in the government for many years.</p> <p>Case 14: the founder encourages the son to enroll in MBA and DBA programs, and through that to improve his social position.</p> <p>Case 15: The founder sent the son to study abroad, and the son met his wife during he study abroad. The wife is from another family with their own business.</p> <p>Case 17: The founder sent the son to study abroad, and hoped he can have the best education. Encourage him to work in biggest companies, and then accumulate his own social capital.</p>
Guanxi	<p>Case 1: the founder is very aware of the importance of grasping, maintaining and transferring the Guanxi.</p> <p>Case 2: Mr. Wei worked in the foreign trade industry for many years and accumulated Guanxi in this field, which helped the family business to achieve the successful transference to the second generation.</p> <p>Case 3: the second generation is weak in maintaining the important Guanxi. This leads to a serious decline in performance and shrinks the company's business.</p> <p>Case 4: the founder encourages the daughter to attend important activities, thus transferring the</p>

traditional Guanxi and, at the same time, hoping to accumulate her own Guanxi

Case 6: the second generation takes his daughter to attend important activities to transfer the important Guanxi.

Case 7: Organizes many private events, invites the important friends and their children, to set up the private relationship for the second generation to formulate their Guanxi.

Case 8: the son enrolled in the MBA program, and made some friends who were executive and academic management experts.

Case 9: the founder introduces the son to the key people at private events. Also, the son accumulates his own Guanxi during study at university and in the process of running his own business

Case 10: for many generations, my family accumulated a lot of Guanxi. The most important things for the next generation are wealth, ability and Guanxi.

Case 11: Cultivated the next generation of their own circle and network, attending some important activities, and slowly passing on the social capital of their family.

Case 13: the founder introduces the son to the key people at private events. Also, the son accumulated his own Guanxi during the time he worked in the government.

Case 14: the founder introduces the son to his friends in private events. Also, the founder encourages the son to enroll in MBA and DBA programs, and that helps to accumulate his own Guanxi.

Case 15: the founder introduces the son to his friends in private events. Also, the son accumulates his own Guanxi during study abroad and run his own business.

Case 17: the founder introduces the son to his friends in private events. Also, the son accumulates his own Guanxi during study abroad and run his own business.

Source: edit by the author

Based on the analysis above, we can see that during the succession process of Chinese family businesses, the inheritance of social capital is the inheritance of dynamic capability. In this process, the transformation and innovation of social capital involves the maintenance and renewal process of dynamic capabilities, and it is also an important process for the family business to integrate resources, adjust the business sector and prepare to enter a new field.

What is more, the succession process is also a risky process. The failure of social capital inheritance and innovation may lead to stagnation of the family business, or even to its extinction. For example, in case 3 (GWBG Co., Ltd), we can see that owing to the failure of social capital inheritance, and with the next generation being unable to establish their own social capital, the family business started to shrink.

Based on the MAXQDA content analysis, we get the results that: 1) during the succession of Chinese family business, social capital has an important role. During the succession process, the embedded resources, network locations, and Guanxi will evolve to follow the next generation's participation in the general management of the family business. On the one hand, the owner will transfer his or her embedded resources, network locations, and Guanxi to the next generation in order to keep the dynamic capability and competitive advantage. On the other hand, the participation of the new generation will bring new embedded resources, new network locations and new Guanxi into the family business; 2) during the Chinese family business succession, social capital is a form of dynamic capability. During the succession process, the ability to sense, seize and reconfigure will evolve based on the next generation's participation in the general management of the family business. The new generation will bring new social capital, and that will evolve the new dynamic capability. So, the family business achieves the evolution of the sensing ability, seizing ability and reconfiguring ability; 3) the competitive advantage is strongly linked to the evaluation of the social capital and dynamic capability during the succession. During the succession process, the competitive advantage secures evolution. Because, the new generation will bring new social capital, it evolves the new dynamic capability. The new dynamic capability will break the old path dependence and form the new path dependence. Thus, the family business will obtain a new competitive advantage.

Our other findings from the succession process show that: 1) the core family of the family business should extend their social capital in many ways. This would include ensuring continuous study at universities to accumulate the knowledge resources of classmates and tutors, ensuring

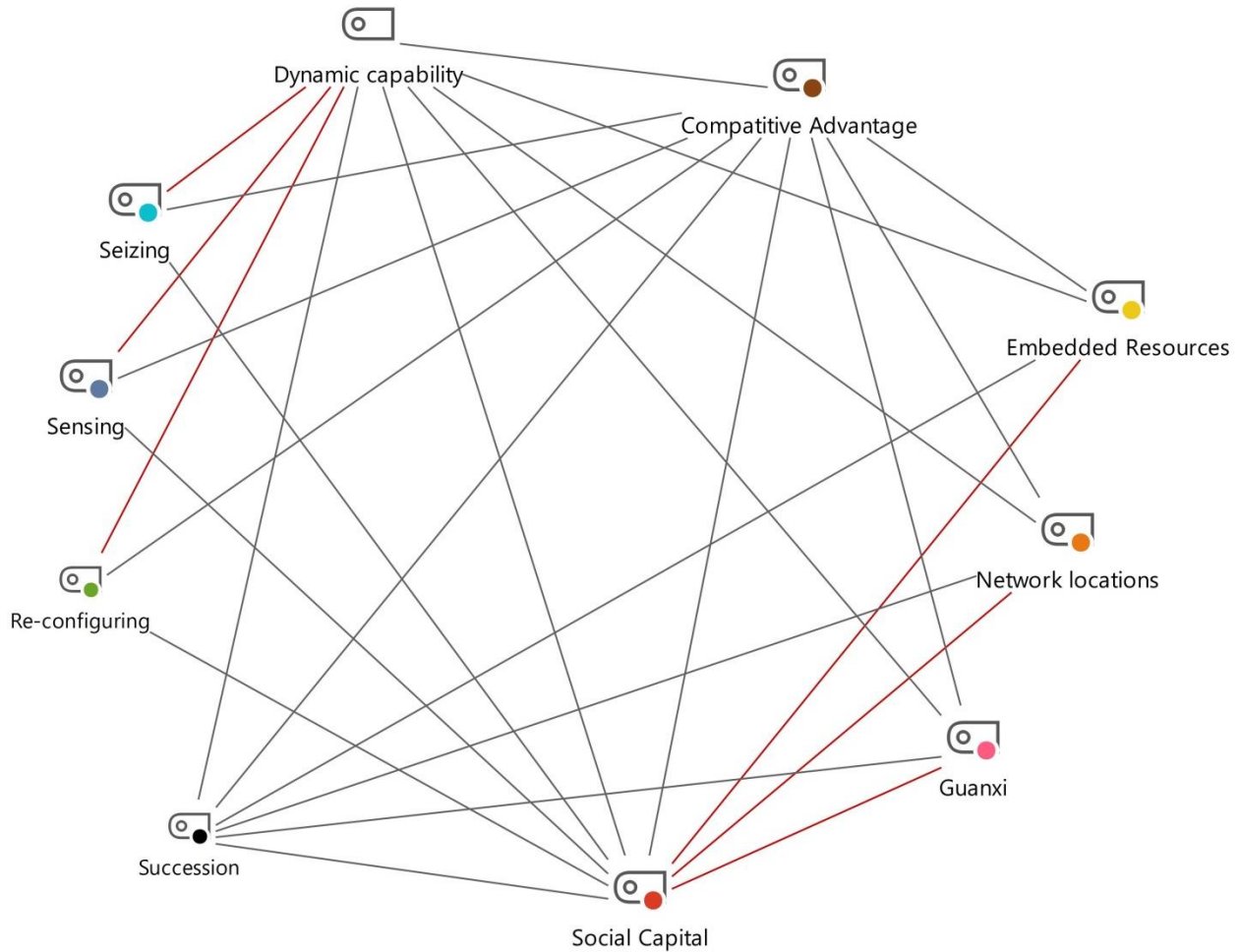
participation in industry associations to accumulate the industry resources, ensuring participation in the industry's political consultation to accumulate the government resources, and ensuring participation at high quality events and social gatherings to accumulate the cross-industry resources; 2) the core family of the family business should transfer high quality social capital to the next generation, and guide the next generation towards accumulating their own diversified social capital through such means as, for example, elite education during their teens and early twenties to improve their abilities and cultivate high quality social circles, or through joining the army or studying abroad to enrich their life experience and accumulate diversified social capital. Once the next generation has participated in the operation of the family business, the core family should transfer the high-quality social capital to them through formal and informal social events. Besides, like many families in the 1980s, influenced by China's one-child policy, there is only one child in the second generation of many Chinese family businesses. Many Chinese family businesses achieve a successful succession and diversification of social capital through marriage between families, and then achieves the diversification of corporate alliances and development.

So, based on the content analysis, we can find that the succession of social capital is the succession of dynamic capability in the Chinese family business.

4.4.3 Research result interpretation by variable

We used MAXQDA analysis to see the overall relationship during the succession process of the family business. Through the MAX Maps function, we selected the code-occurrence model item and input variables of the dynamic capability, social capital, succession and competitive advantage. From this, we can get the relation map of these variables during the succession process, as shown in Figure 18.

Figure 18 The relation map of the dynamic capability, social capital, succession and competitive advantage during the family business succession process



Source: MAXQDA

In Figure 18, we find the same regular rules as shown in Figure 16, which shows the relation map of dynamic capability, social capital, and competitive advantage in one generation of the family business. We can see that, on the one hand, dynamic capability involving sensing ability, seizing ability, and reconfiguring ability, has a strong relationship with competitive advantage. From the literature review, we know that dynamic capability brings the competitive advantage. At the same time, the social capital, involving embedded resources, network locations, and Guanxi, has strong relationships with the competitive advantage. Additionally, according to the research,

we know social capital is an important source of the competitive advantage. Besides, social capital has a strong relationship with dynamic capability. The embedded resources, network locations, and Guanxi all affect the sensing, seizing and reconfiguring ability of an organization. Or, to put it another way, we can see social capital as a kind of dynamic capability that helps the family business sense the environment, seize the VRIN resources, form the path dependence and achieve the competitive advantage. At the same time, social capital is also a kind of dynamic capability that can help family business release resources, reconfigure the business and achieve new path dependence and new competitive advantage.

Besides that, there are also some new rules that show up in the relation map of the dynamic capability, social capital, succession and competitive advantage during the family business succession process.

First of all, during the process social capital has a strong link with the succession. During the succession process, the embedded resources, network locations, and Guanxi will evolve based on the next generation's participation in the general management of the family business. The owner transfers his or her embedded resources, network locations, and Guanxi to the next generation in order to keep the competitive advantage, and at the same time, the new generation will play their part by bringing new embedded resources, new network locations and new Guanxi into the family business.

Second, the dynamic capability has a strong link with the succession. During the succession process, the sensing ability, seizing ability and reconfiguring ability will evolve based on the next generation participating in the general management of the family business. The new generation will bring new social capital, which helps the new dynamic capability evolve to achieve the evolution of the sensing ability, seizing ability and reconfiguring ability.

Third, the competitive advantage has a strong link with the succession. The competitive advantage evolves during the succession process because the new generation brings new social capital, and that evolves the new dynamic capability. The new dynamic capability will break the old path dependence and form the new path dependence, thus achieving a new competitive advantage.

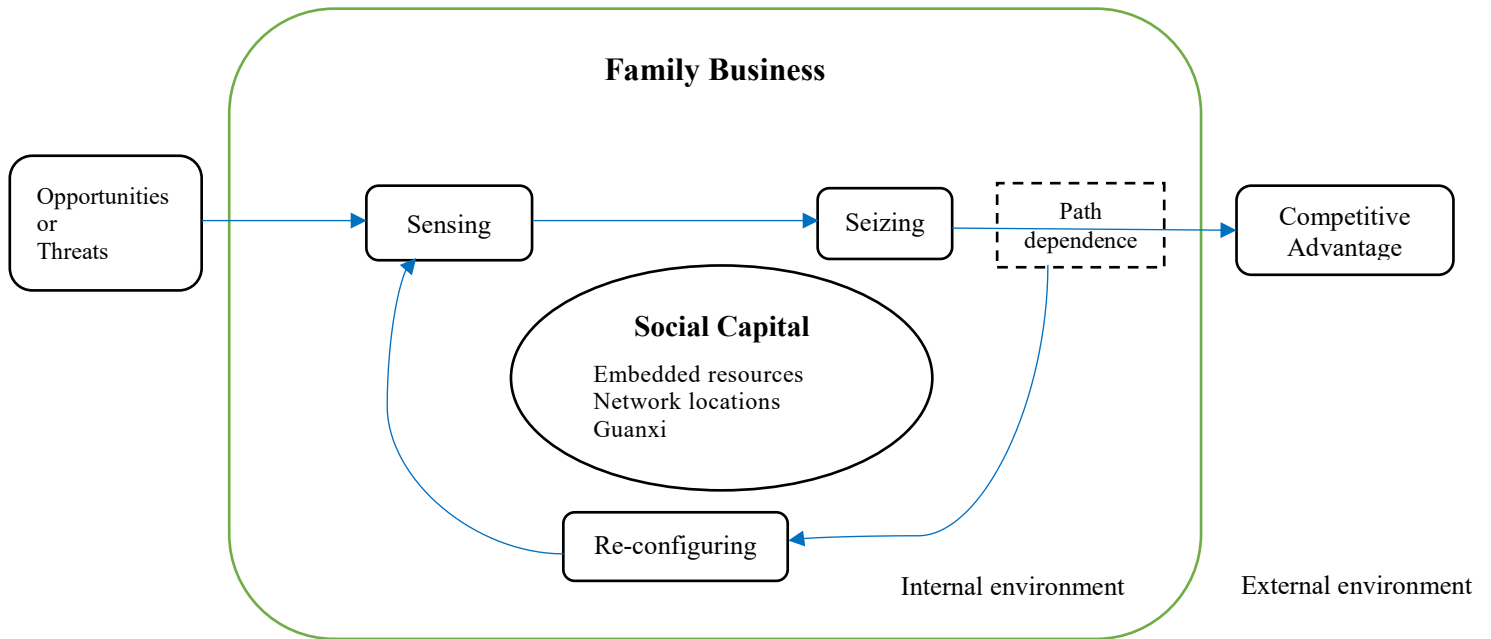
In this sector, we find that the succession of social capital is the succession of dynamic capability in the Chinese family business. In other words, this proves that in Chinese family business, social capital is a form of dynamic capability (Proposition 6).

4.5 Discussion: Sustainable development of Chinese family business

Based on the field study above, we find that in order to achieve sustainable development, Chinese family business has to keep the competitive advantage and also has to keep or evolve the competitive advantage during the succession process, and achieve new competitive advantage with the new generation of the family business.

Based on the case studies and content analysis in field research 1, we can see that during the development of the family businesses, the important turning points are affected by the dynamic capability. The Dynamic capability involves sensing the opportunity or threat, seizing the opportunity and VRIN resources, and then achieving path dependence and gaining the competitive advantage. The founder establishes the company, mainly because they sense an opportunity through the Guanxi of family members, colleagues or friends, and then seize the opportunity and start conducting the business. As the environment changes, the enterprise tries to re-configure their resources and knowledge to establish a new competitive advantage. What is more, we find that the ability to sense, seize and reconfigure stems from the core family members' social capital and Guanxi. Through friends, they sense an opportunity from the policy and industry trends, and seize upon the information of related resources. This is proof that social capital is a form of dynamic capability, and that dynamic capability brings competitive advantage. Furthermore, through field research 1, we find that the efficient of path dependence or "locking" is the source of an enterprise's competitive advantage. However, the increasing return effect of path dependence or "locking" will be eroded gradually by the changing environment, and becomes more and more ineffective until it no longer suits the new development environment. Finally, invalid "locking" becomes the source of core rigidity. According to the literature review, organizational flexibility is the important factor to break the inefficient "locking" of the enterprise. The reconfiguring ability of dynamic capability is the concrete manifestation that is key to keeping organizational flexibility. And the dynamic capabilities are the sources of a firm's sustainable competitive advantage and are at the heart of a firm's long-term financial performance (Teece, 1997; Blyler and Coff, 2003; Hsu and Wang, 2010). Thus, in Chinese family business, social capital is a form of dynamic capability. So, with social capital being one source of the Chinese family business's sustainable competitive advantage, we can see the whole process whereby one generation of the family business achieves the competitive advantage. Field study 1 proved the validity of the Family business sustainable development conceptual model 1 (Figure 13).

Figure 13 Family business sustainable development conceptual model 1

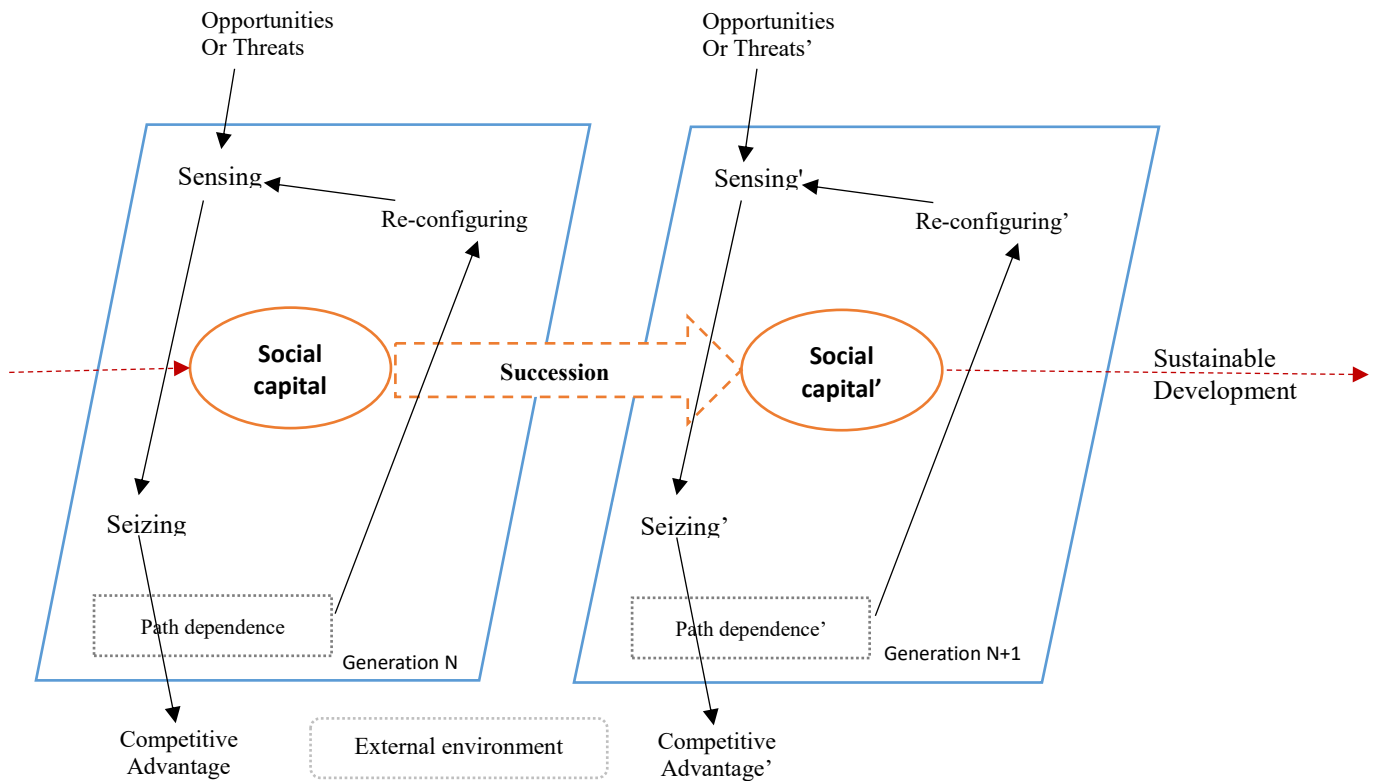


Source: edit by the author

Based on the case studies and content analysis in field research 2, we can see that in order to achieve the sustainable development of Chinese family business, it is also very important to achieve the successful succession of the social capital and dynamic capability. During the succession process, the management right and (or) the ownership are (is) transferred from the one generation (N) to the next generation (N+1) in different stages. And generation N also transfers their most important social capital to generation N+1. What is more, during this process, generation N+1 can accumulate his (or her) own social capital and Guanxi by involving their classmates and colleagues. Those two sources of social capital come together to form new social capital for the family business, which then leads the company into diversified development.

From this combined consideration during the succession process, we can extend the process from generation N to generation N+1, and the family business can achieve sustainable development. So, based on the Family business sustainable development conceptual model 1, field study helps us prove the Family business sustainable development conceptual model 3 (Figure 15).

Figure 15 Family business sustainable development conceptual model 3



Source: edit by the author

Based on the field study 1 and field study 2, we proved the validity of the Family business sustainable development conceptual model 1 (Figure 13) and the Family business sustainable development conceptual model 3 (Figure 15). Besides, we also find some rules that can guide the sustainable development of enterprises.

During the development process of Chinese family business, social capital is one kind of dynamic capability. At a certain time, because of the path dependence, the dynamic capabilities of the family business are weakened. The changing environment cause the turning point for the family business, and it needs the social capital to create the dynamic ability to cope with the changes.

During the succession process of Chinese family business, the inheritance of social capital is the inheritance of dynamic capability. In this process, the transformation and innovation of social capital is the maintain and renewal process of dynamic capabilities, and it is also an important process for the family business to integrate resources, adjust the business sector and prepare to

enter a new field. What is more, the succession process is also a risky process. The failure of social capital inheritance and innovation may lead stagnation or extinction to the family business.

For the second generation, the experience of reading, study abroad, work, military or political will have an important impact on the succession and evolution process of social capital. Besides, unlike many children's families, in the 1980s, influenced by China's one-child policy, the second generation of many Chinese family businesses is the only one child. Many Chinese family business achieves the successful succession and diversification of social capital through the marriage between families, and then achieves the diversification of corporate alliances and development.

4.6 Summary

In this chapter, we review the modern development history of the Chinese Family Business, which helps us to thoroughly understand the development background of Chinese family business over different periods. In addition, we conduct case study and content analysis of the relations between the social capital, dynamic capability, and competitive advantage in one generation of the family and, as well, carry out research on the succession of those items during the succession process of the family business. What is more, the field research tests and proves the concept models and propositions that we put forward.

Chapter 5: Conclusion

This chapter is the conclusion of the whole thesis. It will review the main research and the result. Further, we will evaluate the contribution, innovation and limitations of the study. Finally, we will suggest directions for future research.

5.1 Conclusion

The core issue of this thesis is to explore the research question regarding how Chinese family businesses maintain their competitive advantage and achieve sustainable development through a Dynamic Capability approach.

Based on our review of the literature, the research is divided into two parts. In one part, the research focus is on how the Chinese family business obtains and maintains its competitive advantage from the perspective of the dynamic capability in one generation. Combined with Chinese family business development history, the study analyzes the role that social capital plays with regard to the family business forming its own ability to sense, seize and reconfigure, and how the family business obtains its competitive advantage based on its dynamic capability.

In the other part, the research focus is on how the Chinese family business manages to achieve a successful succession and transfer to the next generation through the dynamic capability approach, and maintain its competitive advantage and achieve sustainable development. Using the stages model of successor development in family firms set out by (Cater and Kidwell, 2014), and through analyzing the succession process of social capital, this study thoroughly investigated the succession of the dynamic capability and the maintenance of the competitive advantage. Through the case study and content analysis, we verified the relationship between the social capital, dynamic capability and competitive advantage in the development of Chinese family business.

The main conclusions of this thesis are as follows:

First, we conducted a systematical literature review, defined the related concepts, such as family business, succession, RBV, dynamic capability, path dependence and social capital, and also the related research on the Chinese family business. Based on the introduction of the changing economic environment background in China, this thesis reviewed and analyzed the modern development history of Chinese family business. The study summarized the specific characteristic of development path and path dependence of Chinese family business, and put forward the problem

caused by path dependence. Further, based on the core research question of how Chinese family businesses achieve sustainable development, we separated the development process into two parts. One is the development process of generation N, the other is the succession process from generation N to generation N+1. Thus, the thesis is designed along two lines of research: 1) the relations between social capital, dynamic capability and competitive advantage in the development process of generation N; and 2) the relations between the social capital, the dynamic capability and competitive advantage during the succession process from generation N to generation N+1.

Second, during the development process of Chinese family business, social capital is a form of dynamic capability. At a certain point, because of path dependence, the dynamic capabilities of the family business are weakened. The changing environment is generally a turning point for family business, and usually means it has to use its social capital in order to have the dynamic ability to cope with the changes. Following research line one regarding the relations between social capital, dynamic capability and competitive advantage in the development process of generation N, we conduct our field study. We analyzed the development process of the Chinese family business that facilitates the acquisition, integration, reconfiguration and release of resources that underpin its capabilities through building and promoting its own social capital. Then the enterprises break the inefficient “locking” of the enterprise, and keep the competitive advantage. Using the MAXQDA, we conduct the case study and content analyses, and obtain the following results: 1) dynamic capability, which involves sensing ability, seizing ability, and reconfiguring ability, has a strong relationship with competitive advantage in the Chinese family business. This proves that dynamic capability brings competitive advantage; 2) social capital, involving embedded resources, network locations, and Guanxi, has strong relationships with competitive advantage. This proves that social capital is an important source of competitive advantage in Chinese family business; and 3) social capital is a form of dynamic capability in Chinese family business. It enables family business to sense the environment, seize the VRIN resources, form path dependence and achieve the competitive advantage. What is more, the social capital is a form of dynamic capability that helps the family business release resources, reconfigure the business and achieve new path dependence and new competitive advantage.

Third, during the succession process of Chinese family business, the inheritance of social capital is the inheritance of dynamic capability. In this process, the transformation and innovation of social capital is the maintenance and renewal process of dynamic capabilities, and it is also an

important process for the family business to integrate resources, adjust the business sector and prepare to enter a new field. What is more, the succession process is also a risky process. The failure of social capital inheritance and innovation may lead to stagnation or even the extinction of the family business. In accordance with research line two, during the succession process from generation N to generation N+1, the relations between social capital, dynamic capability and competitive advantage are strong. The field study analyzed how the transfer and evolution of the dynamic capability through the social capital during the succession process of the Chinese family business, helps enterprises keep and perpetuate the competitive advantage. Using the MAXQDA, we conduct the case study and content analysis, and obtain the following results: 1) during the Chinese family business succession, the social capital plays an important role. During the succession process, the embedded resources, network locations, and Guanxi will evolve to follow the next generation participating in the general management of the family business. The owner will transfer his or her embedded resources, network locations, and Guanxi to the next generation in order to keep the dynamic capability and competitive advantage. At the same time, the new generation's participation will bring new embedded resources, new network locations and new Guanxi into the family business; 2) during the Chinese family business succession, social capital is a form of dynamic capability. During the succession process, the sensing ability, seizing ability and reconfiguring ability will evolve based on the next generation's participation in the general management of the family business. The new generation will bring new social capital, and that will evolve the new dynamic capability. So, the family business achieves the evolution of the sensing ability, seizing ability and reconfiguring ability; and 3) the competitive advantage has a strong link with the evaluation of the social capital and dynamic capability during the succession. During the succession process, the competitive advantage brings about evolution. And, because the new generation will bring new social capital, a new dynamic capability will evolve. The new dynamic capability will break the old path dependence and form the new path dependence and thus, the family business obtains new competitive advantage.

Fourth, because of the fast-changing economic environment, Chinese family businesses need to maintain and improve their dynamic capability. Therefore, based on the specific development history and development stages of Chinese family business, this study analyzes the relationship between social capital and dynamic capability during the development and succession process of 17 cases. This thesis proposes rationalization strategies and recommendations for Chinese family

businesses to enhance and maintain competitive advantage and achieve sustainable development. 1) the core family of the family business should extend their social capital through many ways, like participating in continuous study at universities to accumulate the knowledge resources of classmates and tutors. They should also build up industry associations to accumulate the industry resources, and participate in industry's political consultation to accumulate the government resources, and participate in high quality gatherings and social events to accumulate cross-industry resources. 2) the core family of the family business should transfer high quality social capital to the next generation, and guide the next generation to accumulate their own diversified social capital. Like, for example, ensuring that during their teens and early twenties, they get an elite education to improve their abilities and cultivate high quality social circles. Or through encouraging them to join the army or study abroad to enrich their life experience and accumulate diversified social capital. Following that, the next generation should participate in the operation of the family business, and the core family should transfer high-quality social capital to them through formal and informal social events. Besides, like many families in the 1980s, influenced by China's one-child policy, there is only one child in the second generation of many Chinese family businesses. Many Chinese family businesses achieve a successful succession and diversification of social capital through marriage between families, and then achieves the diversification of corporate alliances and development.

5.2 Contribution and innovation

This thesis makes several substantive theoretical contributions to current Chinese family business studies, and has practical implications for business executives. Nowadays, the increasingly competitive market puts higher demands on the development mode and path of Chinese family business. This research looks forward to constructing a development model from the dynamic capability perspective to help Chinese family business keep the competitive advantage, achieve a successful succession and achieve sustainable development. Some of the contributions and innovations are shown below.

1. Combining the concepts of competitive advantage, dynamic capability, path dependence, social capital and succession, the study analyzes the whole development and succession process of Chinese family business, and proposes a sustainable development conceptual model specifically for Chinese Family business. There is much research that analyzes family business

under the social capital theory or the dynamic capability theory. But, there is scant research that studies the whole development and succession process of Chinese family business which combines both the social capital theory and dynamic capability theory.

2. This thesis proposes that, in Chinese family business, social capital is a form of dynamic capability. Much of the literature shows that social capital helps us understand the origin and nature of dynamic capabilities. And some scholars argue that social capital is essential for a firm's dynamic capability, as it facilitates the acquisition, integration, reconfiguration and release of resources that underlie its capabilities (Blyler and Cuff, 2003). This thesis follows the stages of development and succession in family business to analyze the accumulation, development and evolution of the social capital and dynamic capability during the development and succession process. Based on case study and content analysis, we arrive at the result that social capital is a form of dynamic capability in Chinese family business.
3. Since China implemented the reform and opening-up policy forty years ago, private economy has developed a lot and also faces many problems. After this forty-year period of development, family business, as the main body of private economy, has reached a crucial point for succession. This study not only puts forward a theoretical development model, but also proposes a rationalization strategy and suggestions for improving and maintaining competitive advantage in the process of development and succession of Chinese family businesses.

5.3 Limitations and recommendations for future study

This thesis exploratively proposes the structural system of development and succession regarding the dynamic capability of Chinese family business from the perspective of social capital. Based on this system, the study explores how the characteristics of dynamic capabilities interact with the competitive advantage in the sustainable development and succession process of Chinese family business, and summarizes the innovative results of this research. Since this thesis uses a qualitative research method approach to study Chinese family business performance, there are some limitations that should be recognized and considered in interpreting the findings. These are:

1. The limitation of the definition of the concept. This thesis focuses on the sustainable development of Chinese family business and investigates the concepts of social capital and

dynamic capability that influence the competitive advantage of the family business. However, there are many definitions of a family business. So, in this thesis and based on our literature review, a firm is considered a family business when its ownership and management are concentrated within a family unit, and to the extent its members strive to achieve and/or maintain intra-organizational family-based relatedness (Litz, 1997). While this definition of family business is effective for this research, it is also one of the limitations. Although this thesis is more distinctive than prior research on the sustainable development of Chinese family business, it does not include all types of Chinese family business, and thus may not provide a view for the sustainable development of Chinese family business that can be generalized.

2. There are limitations, too, in the methodology, particularly regarding the sample size and sampling procedure. This thesis is an exploratory study. Family business is inextricably linked to family and society. Besides, different family businesses have different development paths. The research in this area involves a cross-cutting field of economics, management, organizational theory, behavioral science, psychology, and sociology. Qualitative research is oriented towards analyzing concrete cases in their temporal and local particularity, starting from people's expressions and activities in their local particularity. Therefore, based on the research problem of this study, we followed the qualitative research approach. For this thesis, we selected 17 cases that covered 8 provinces of China. However, given the total number of Chinese family businesses, the cases we analyzed in this research are few. In the future, there should be a further deductive study to test whether the theoretical model is applicable in more family businesses. What is more, there should be a further quantitative study to verify the influence weight of each influencing factor of social capital and dynamic capability on each stage of the sustainable development process of family business.

3. Additionally, there are several important areas for future research. This thesis mainly considered the relationship between social capital and dynamic capability and the conversion mechanism of the competitive advantage within Chinese family business, and barely considered the outside affect factors like industry, area and policy. So, based on the family business definition, future studies could expand the research aim to cover a wider range, and the research could consider more comprehensive influencing factors.

Besides, for a case-survey, the available case studies addressing Chinese family business succession are, for now, limited since this is the early stage of succession in Chinese family businesses. It is believed more empirical case studies will become available in the future. That being so, future research can conduct broader empirical tests to explore sustainable development issues in Chinese family business. Like, for example, cross-industry analysis as the number of available case study material increases. Moreover, future research, where possible, should develop a case study bank of broad empirical Chinese family business to improve the case coverage.

What is more, for multiple case studies, all case studies in this thesis are interesting in so far as they concern classical and leading Chinese family business cases and, as such, significantly contribute additional insights to current Chinese family business studies. Future research can focus on the sustainable development of family business and provide more comparative studies with the findings of this thesis.

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Appendix

Interview Outline

1. The introduction of the family business (name, main business, number of employees, Ownership, management and Family involvement, succession situation)
2. The developing history of the family business. How many years has the enterprise been established? How many generations succession?
3. Your understanding of the development environment and development strategy of the enterprise
4. What is your position in the company? Your role in the family.

Interview outline	The main objective
<p>The overall level:</p> <ol style="list-style-type: none"> 1. In your opinion, what is the competitiveness of the enterprise? 2. Do you think your company is competitive compared with the other competitors? (remind): <ul style="list-style-type: none"> • Why? • Compared with other companies, your company's competitive advantage reflected in what aspect? • In your opinion, how can the Chinese enterprise achieve the sustainable competitive advantage? 3. For your opinion, what is the dynamic capability of the enterprise? Does your company have dynamic capabilities? 4. In your opinion, what is the social capital of the family business? How does it affect the development of family business? 	<p>Chinese Entrepreneurs' Understanding of Competitiveness and Dynamic Capability</p>
<p>Specific level:</p> <ol style="list-style-type: none"> 1. Facing the changes of the market, how is your company responding in time? 2. How does your company improve the quality of staff and their knowledge and skills? 	<p>Dynamic capability (sensing, seizing and reconfiguring). Social capital and Guanxi</p>

<ol style="list-style-type: none">3. How does your company learn from other companies? Imitate others frequently?4. What is the main channel for your company to sense and identify the potential opportunities and threats in the market?5. What is the main basis for your company making the decision, and the main way to seize the knowledge and resources?6. What is the main basis for your company to reconfigure the resources and knowledge?7. For your opinion, what kind of role the social capital and guanxi played in the process of sensing, seizing and reconfiguring.8. Your opinion on the succession of family business.9. Your opinion on the sustainable development of family business.	Succession
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