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Influence Mechanisms of Professional Managers in Family Business Succession

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Doctor of Management

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ISCTE University Institute of Lisbon

PhD SHAO Yunfei, Professor,
University of Electronic Science and Technology of China

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Abstract

Family businesses have a pivotal market position. In recent years, the first family businesses in China have entered the stage of old age, which makes them face severe problems of intergenerational succession. This study explores the intergenerational succession of family businesses in China, based on the resource-based view, principal-agent theory, entrepreneur theory and stakeholder theory to discuss the influence mechanism of professional managers in the intergenerational succession of family businesses.

Firstly, data were obtained by interviews with incumbent entrepreneurs, successor entrepreneurs and professional managers. A qualitative research method, grounded theory, was used to construct a conceptual model. Secondly, the hypotheses were put forward on the mechanism of professional managers on intergenerational succession. Thirdly, items were summarized based on the results of the interview, and scales were developed through data collection from questionnaire survey and exploratory factor analysis. Last, data were collected again through a questionnaire survey, and the conceptual model was tested using structural equation modeling.

Research findings: a). Professional managers can indirectly promote the success of succession by cultivating successor entrepreneur's competence. b). Professional managers can indirectly promote the success of succession by alleviating the conflict between the two generations of entrepreneurs. The management implications are a). Family businesses can consider hiring professional managers to help two generations of entrepreneurs go through the transition period smoothly. b). Incumbent entrepreneurs should pay attention to all aspects of competence when selecting professional managers. c). Family businesses should take reasonable incentive measures to motivate professional managers to continuously improve their competence.

Keywords: family business; intergenerational succession; professional managers; influence mechanism; intergenerational conflict; case study

JEL: M13; M54

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Resumo

As empresas familiares têm uma posição central no mercado. Nos últimos anos, as primeiras empresas familiares na China entraram na fase da velhice, o que as faz enfrentar graves problemas de sucessão intergeracional. Este estudo explora a sucessão intergeracional das empresas familiares na China, com base na visão baseada em recursos, teoria do agente principal, teoria do empreendedor e teoria dos stakeholders para discutir o mecanismo de influência dos gestores profissionais na sucessão intergeracional das empresas familiares.

Primeiramente, os dados foram obtidos por meio de entrevistas com empresários titulares, empresários sucessores e gestores profissionais. Um método de pesquisa qualitativa, teoria fundamentada, foi utilizado para construir um modelo conceitual. Em segundo lugar, foram levantadas as hipóteses sobre o mecanismo dos gestores profissionais na sucessão intergeracional. Em terceiro lugar, os itens foram sumarizados com base nos resultados da entrevista, e as escalas foram desenvolvidas por meio da coleta de dados do questionário de pesquisa e da análise fatorial exploratória. Por fim, os dados foram coletados novamente por meio de uma pesquisa por questionário e o modelo conceitual foi testado por meio de modelagem de equações estruturais.

Resultados da pesquisa: a). Os gestores profissionais podem indiretamente promover o sucesso da sucessão cultivando a competência do empreendedor sucessor. b). Os gestores profissionais podem indiretamente promover o sucesso da sucessão, aliviando o conflito entre as duas gerações de empreendedores. As implicações de gestão são a). As empresas familiares podem considerar a contratação de gerentes profissionais para ajudar duas gerações de empreendedores a passar pelo período de transição sem problemas. b). Os empreendedores incumbentes devem prestar atenção a todos os aspectos de competência ao selecionar gerentes profissionais. c). As empresas familiares devem adotar medidas de incentivo razoáveis para motivar os gestores profissionais a melhorar continuamente sua competência.

Palavras-chave: empresa familiar; sucessão intergeracional; gestores profissionais; mecanismo de influência; conflito intergeracional; estudo de caso

JEL: M13; M54

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摘要

家族企业历来占据着举足轻重的市场地位。近年来，中国最开始建立的家族企业基本上进入到老年阶段，这使它们面临着严峻的代际传承问题。本研究以中国为背景，从家族企业的代际传承问题出发，基于资源基础观、委托代理理论、企业家理论和利益相关者理论等理论，探究了职业经理人在家族企业代际传承中的影响机理。

首先，以对在任企业家、继任企业家和职业经理人访谈的形式获取研究数据，采用定性研究方法——扎根理论构建概念模型。其次，对职业经理人对代际传承的影响机理提出假设。再次，基于访谈的结果归纳出题项，通过问卷收集数据，通过探索性因子分析开发了研究量表。最后，通过再次问卷收集数据，采用结构方程模型对包括关系假设的概念模型进行检验。

研究结果：（1）职业经理人可以通过培养继任企业家的胜任力间接促进代际传承的成功。（2）职业经理人可以通过缓解两代企业家之间的冲突间接促进代际传承的成功。管理启示如下：（1）家族企业可以考虑聘请职业经理人来协助两代企业家顺利度过交接的过渡期。（2）在任企业家在选聘职业经理人时应注重胜任力的各个方面。（3）家族企业应采取合理的激励措施以激励职业经理人持续提高胜任力。

关键词：家族企业；代际传承；职业经理人；影响机理；代际冲突；案例研究

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List of Abbreviations

AVE	average variance extracted
CEO	chief executive officer
CFA	confirmatory factor analysis
EFA	exploratory factor analysis
KMO	Kaiser-Meyer-Olkin
RBV	resource-based view
SEM	structural equation modelling
SSCI	Social Science Citation Index
TMT	top management team

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Chapter 1: Introduction

1.1 Research background

As a unique form of organisation in which family and business systems co-exist, family businesses are widespread around the world and play a pivotal role in creating jobs and promoting economic growth. Nearly a third of the world's top 500 businesses in 2019 are family businesses, such as Walmart, Volkswagen, Berkshire Hathaway, Exor Group, Koch Industries, BMW. Family businesses have become an important force in economic and social development. In China, one of the important results of the reform and opening up is the rapid development of family businesses, which play an increasingly important role in the development of the national economy. Forbes released its 2019 list of the Top 100 Listed Family Businesses, with Zhengwei, Midea, Wanda and Wanxiang Group on the list (Ernst Young & University of St. Gallen, 2019).

Family businesses have gradually developed during the wave of China's reform and opening up, and are now the most common form of business organisation in China. The development of family businesses has made an important contribution to the development of China's market economy. In China, businesses basically exist as family businesses in the early stages of their development. Since the reform and opening up, a series of policies to encourage, support and guide the development of the private economy have been put in place to create a favourable institutional environment for the rapid growth of family businesses. The book *40 Years of Family Business Ecology in China* stated that over 80% of private businesses in China are family businesses (Family Business Committee of China Private Economy Research Association, 2019). Data from PwC's *Global Family Business Survey 2018 - China Report* showed that Chinese family businesses are experiencing unprecedented strong growth. By the end of 2017, as many as 1,112 family-owned businesses have been listed in China (PricewaterhouseCoopers, 2018). It is evident that family businesses have grown into a force that should not be ignored in China's national economic development.

As China's reform and opening up continue, the family businesses that were first established in China are entering the new century. Founders of the business are reaching an older age, showing a lack of strength in the management of the family business despite strong

willingness, and they often expect their children to inherit the business they have worked so hard to establish. However, the sons and daughters of family business founders show a wide range of abilities and qualities. The issue of family business succession has become a major issue facing family businesses. In the process of selecting a successor, there have been some successful cases, but also failures. The successor may not be able to perform well due to his or her ability and willingness. Moreover, as the economy continues to develop, family businesses need to expand and adapt to new economic situations, which makes the management and business methods previously used within the family business no longer fit the needs of new business activities and development. In this context, professional managers have become the obvious choice for some family businesses.

The professional manager was born in the United States in the 1840s. A professional manager is a highly paid person who is well versed in business management, skilled in the use of internal and external resources, and takes on certain management positions to achieve operation objectives. According to management guru Drucker, a manager is the most expensive resource in a business and the one that depreciates fastest so it needs to be replenished most often. For a family business to achieve long-term growth, there must be at least one non-family member in the executives. The introduction of professional managers in family businesses is a trend in the development of family businesses.

Reviewing the history of family businesses around the world, many of the more successful multi-generational family businesses have been associated with the positive role of professional managers. For example, Ford Motor Company announced a loss of USD 12.7 billion in 2019, the worst year in its 103-year history. Bill Ford, CEO of Ford and great-grandson of the legendary Henry Ford, realised that he was not the right CEO to lead the family business through turbulence and that Ford was in desperate need of outside talent. Therefore, he hired Alan Mulally, the guru who helped Boeing's transition, as Ford's new CEO. Mulally spent the next eight years implementing a revival plan that saw the company's automaker's stock rise more than 1,000% from its recessionary bottom.

The professional manager plays a key role in the successful inheritance of HRS. HRS entered the Chinese market in 2002 and kept unsatisfactory performance until 2007. It was at this time that Tobias, who was still in the "probationary" phase of the succession, reorganised and expanded the entire team, and it was at this time that Jiang Jun joined HRS. For HRS, a professional manager with an international perspective and an understanding of the market was needed to help interpret the needs of the market. After Jiang Jun restructured the team, the HRS business model was localised and a customer service centre was set up according to the habits

of the consumers. Soon HRS began to see significant growth in the Chinese market, with an annual increase of more than 100%, earning Tobias the approval of the company and especially his father.

In China, the importance of professional managers in family businesses has also been widely recognised in recent years. This can be clarified by the cases of Sichuan New Hope Liuhe Company and Guangdong Midea Group. In 2013, Liu Yonghao, the founder of the New Hope Group, resigned as chairman of Liuhe and was succeeded by his daughter, Liu Chang. Liu Yonghao was still the chairman of the parent company, New Hope Group. Liu Yonghao invited Chen Chunhua, a renowned expert in corporate culture and strategy, to be the co-chairman and CEO of New Hope Group. The company's stable development during the succession period was ensured by the "two-track chairmanship" system of both professional manager Chen Chunhua and the family successor Liu Chang. The group also achieved a cumulative increase in net profit of 27%, a sharp contrast to the 35.4% decline in the same period three years ago (Catering Consultation, 2016).

In addition, the succession of the Guangdong Midea Group was less influenced by family. In August 2012, the 70-year-old founder officially retired from the position of chairman of Guangdong Midea Group. He transferred his position to the holding company behind the group. The 45-year-old professional manager, Fang Hongbo, was fully at the helm. Since then, Guangdong Midea Group has entered into the era of full control of professional managers, and its performance has also scaled a new horizon.

1.2 Research problem and questions

1.2.1 Research problem

From the point of view of the theoretical background, there is still room for improvement in the research related to the impact of professional managers on family businesses. While family businesses have long been the focus of attention, professional managers, as an important emerging player in recent years, have gradually received attention from scholars. Previous studies have focused on the impact of professional managers on firm performance, incentives for professional managers (Pepper & Gore, 2015) and the pros and cons of introducing professional managers to family businesses (J. T. Chen & Huang, 2019; Xiang, 2018). In addition, scholars have also found that the involvement of professional managers can also have an important impact on the succession process at the critical moment of intergenerational

succession in family businesses (H. B. Zhang & Wang, 2010; L. H. Zhu, 2005).

From a practical point of view, different from Western countries, China has long been influenced by Confucianism, which makes family businesses family-centred and considers the interests of the whole family. Moreover, Chinese family businesses often place great emphasis on blood relations within the family. As a result, there is a serious family tendency in Chinese family businesses, both in terms of setting corporate organization and staffing, which makes it difficult for professional managers to enter the family enterprise and play their role within the family business.

When choosing a successor within the family business, the immediate family members are often considered. The involvement of a professional manager in the inheritance is both a cause for concern and a cause for fear of “setting a fox to keep the geese” when there is no other choice. This is also the reason why there is probation for professional managers. There are indeed family businesses that have been passed on smoothly and better than before because of the role of a professional manager. Therefore, it is important for family businesses to find ways to rationalise the renewal and upgrade of family businesses and to give full play to the role of professional managers in the succession of family businesses.

With regard to this, facing the dilemma of the intergenerational succession process of family businesses, how to give full play to the important role of professional managers has become an important managerial issue in this process.

1.2.2 Research questions

The transition of a family business from one generation to the next is an important point in time for the survival of the business. One of the important roles of professional managers in the intergenerational succession of a family business is to help the family business to achieve better intergenerational succession.

On the one hand, the presence of professional managers can effectively alleviate the problems of family businesses in the process of renewal, thus helping family businesses to achieve intergenerational succession. Professional managers generally have professional management knowledge and have many advantages when it comes to the inheritance of family businesses. For example, professional managers have a more comprehensive knowledge of the management and operation of the business, and they are able to provide more reasonable strategies for the development of the business, effectively avoiding the risks that may result from the failure of the family business.

However, the introduction of professional managers may result in a certain degree of separation between business management and business ownership, which may lead to a struggle for control of the business due to the information asymmetry between the two parties, thus affecting the stable development of the business. Given the above realistic background, this study selects the topic of the role of professional managers in the process of family business succession and proposes the following three research questions.

- Do professional managers have an impact on the outcome of intergenerational succession in family businesses?
- What is the mechanism of influence of professional managers on the intergenerational succession of family businesses?
- Are there any other external factors that influence the process of intergenerational succession by the professional managers mentioned above?

1.3 Study content

This study takes the key process of intergenerational family business succession in China, a developing country where family businesses are flourishing, as a backdrop to explore the mechanisms of professional managers' influence in the intergenerational succession of family businesses.

This study has four main research components.

1.3.1.1 Conceptual model

This study used interviews to obtain data, and extracted six main categories through a grounded theory approach, namely professional manager's competence, successor entrepreneur's competence, intergenerational conflict, employee organisational commitment, government support and the success of intergenerational succession. Then this study constructed a conceptual model of professional managers influencing the success of intergenerational succession of family businesses through selective coding. The mediating role of the successor entrepreneur's competence, intergenerational conflict, employee organisational commitment and the moderating role of government support are included in the model.

1.3.1.2 Hypotheses

Based on the conceptual model obtained from the interviews, this study combined the views of previous scholars to formulate hypotheses on the mechanism of professional managers'

influence on the success of intergenerational succession. These include six hypotheses (H1-H6) with a direct relationship, three hypotheses (H7-H9) with the moderator and three hypotheses (H10-H12) with the mediators.

1.3.1.3 Scale development and data collection

Based on the results of the interviews, the items were summarised and data was collected through a questionnaire survey to develop a scale for this study. The scale contains a total of 24 items, of which three are on the success of intergenerational succession, five are on professional managerial competence, six are on successor entrepreneur's competence, four are on intergenerational conflict and four are on organisational commitment. There were six items on successor entrepreneur's competence, four on intergenerational conflict, three on organisational commitment and three on government support.

1.3.1.4 Empirical analysis

Data were collected through a questionnaire survey based on the final scale. The structural equation modelling (SEM) approach was used to test the conceptual model that included the hypotheses. The results of the empirical analysis of this study indicate that: a) professional managers can indirectly contribute to the success of intergenerational succession by developing the competencies of successor entrepreneurs; b) professional managers can indirectly contribute to the success of intergenerational succession by mitigating conflict between two generations of entrepreneurs.

1.4 Research methods and technical roadmap

1.4.1 Research methods

1.4.1.1 Literature research

Based on a systematic literature study, we analysed the theoretical basis related to family businesses, intergenerational succession and professional managers in China at present and refined the core research questions of this study. By sorting out the classical principal-agent theory, entrepreneurship theory and stakeholder theory, the influence of professional managers on the intergenerational succession of family businesses was analysed in depth and the conceptual model of this study was constructed.

1.4.1.2 Interview

This study adopted interviews to obtain data when constructing the conceptual model of the mechanism of professional managers' influence on the intergenerational succession of family businesses in Chapter Three. The interview data were obtained from incumbent entrepreneurs, successor entrepreneurs and professional managers of real family businesses.

1.4.1.3 Questionnaire survey

Two questionnaire surveys were conducted in this study. The first questionnaire survey was described in Chapter Five (on scale development) to collect the data needed for scale development. The second questionnaire survey was described in Chapter Six (on the empirical analysis) to collect the data needed to test the conceptual model. The questionnaires were distributed online research through social contacts to managers (including entrepreneurs) and legal advisors who currently work or have worked in family businesses.

1.4.1.4 Grounded theory

In this study, the conceptual model incorporating both mediating and moderating effects was constructed using a grounded theory approach as mentioned in Chapter Three, which examined the mechanism of professional managers' influence on the intergenerational succession of family businesses.

1.4.1.5 Structural modelling

In this study, a structural modelling approach was adopted to test the conceptual model in order to investigate the mechanism of professional managers' influence on the intergenerational succession of family businesses.

1.4.2 Technical route

The technical roadmap for this study is shown in Figure 1.1.

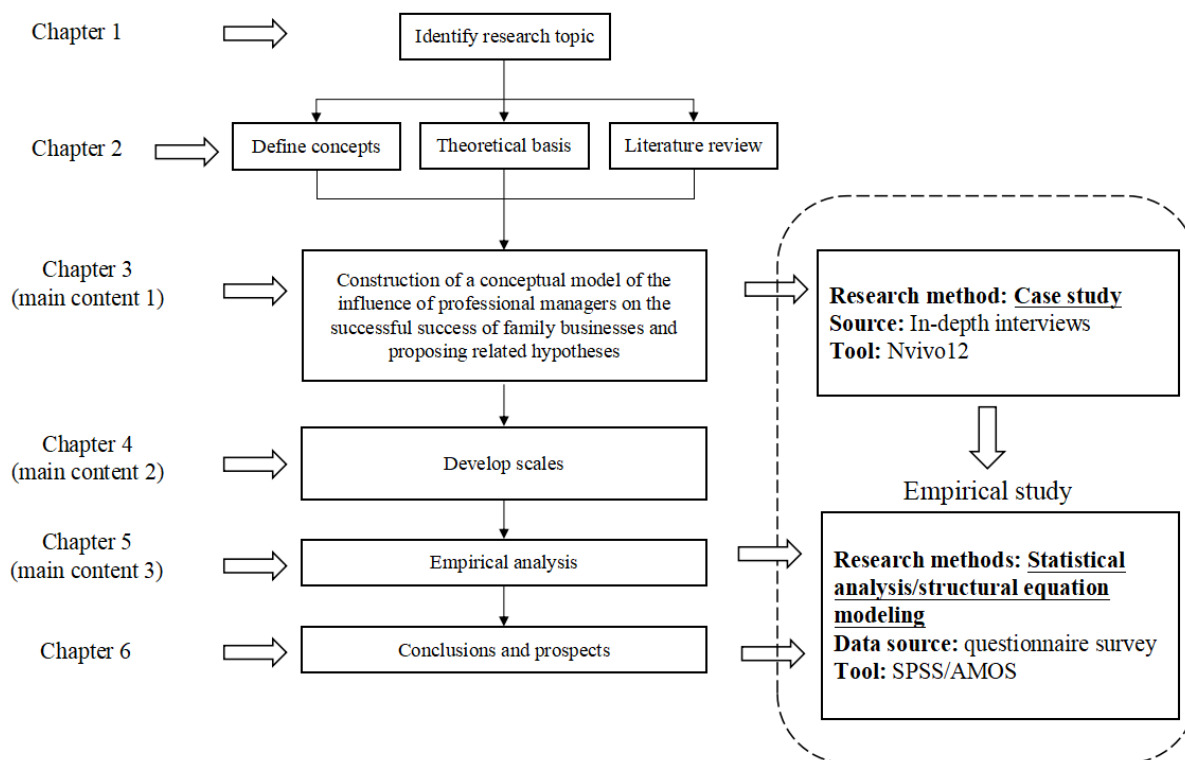


Figure 1.1 Technical route of this study

1.5 Innovation of this study

Firstly, this study combined qualitative and quantitative ways to investigate the mechanism of professional managers' influence on the intergenerational succession of family businesses. The study first used a qualitative approach to construct a conceptual model. A small sample of interview data was used to refine the categories and define the variables using grounded theory, and the conceptual model was finally constructed using selective coding. Secondly, a quantitative research method was used to develop the scale. A preliminary scale was developed based on the results of the grounded theory combined with expert opinions. Data were collected using a questionnaire survey, and the scale was revised and tested using exploratory factor analysis. Finally, a final scale was developed after the previous step. Data was collected using a questionnaire survey and hypotheses described in the conceptual model were tested via a structural equation modelling approach. Thus, this study fully combined the strengths of qualitative and quantitative research, as well as the advantages of the depth of a small sample study and the breadth of a large sample study, to explore the mechanism of professional managers' influence on the intergenerational succession of family businesses in a holistic manner.

Secondly, this study defined the concepts of professional managerial competency, successor entrepreneur's competency, intergenerational conflict, employee organisational commitment, government support and the success of intergenerational succession, extending new knowledge in the field of research on professional managers and intergenerational succession in family businesses. Although the relationship between professional managers and family businesses has been extensively explored in previous studies, specific generalisations and definitions of some important concepts in this area are still insufficient. This study took the opportunity to explore the mechanism of the influence of professional managers on the intergenerational succession of family businesses, adopted a qualitative research method and grounded theory, and summarised six important concepts through interviews with important members of real family businesses. This study provides a theoretical basis and a reference for future research in related fields.

Third, this study constructed and empirically tested a model of the impact of professional managers' competence on the success of intergenerational succession in family businesses, revealing a new pattern of the success of intergenerational succession in family businesses with the participation of professional managers. This study differs from previous research that considers professional managers as the "heirs" of family businesses and explores the problems they face as successors. Instead, in this study, professional managers are seen as important "participants" in the intergenerational succession of family businesses to explore their support to the successor entrepreneurs and the reconciliation of the conflicts between the two generations of entrepreneurs, and thus the important impact of their involvement on the smooth transition between the two generations of entrepreneurs. Therefore, this study completes the study of professional managers as different actors and brings new knowledge to the field of professional managerial and family business research from a new perspective.

1.6 Thesis structure

The study consists of seven chapters, which are organised as follows.

Chapter One is Introduction. Firstly, it introduces the background of the study based on the fact that China is at the peak of the intergenerational succession of family businesses and the current situation of professional managers' participation in the management of family businesses. Secondly, it elaborates on the core research questions of this study, and the content of the study, and specifies the research methodology and technical line. Last, it refines and summarises the innovations based on the findings of this study.

Chapter Two is Literature Review. Firstly, the relevant concepts of this study are clearly defined, and the connotations of family, family enterprise, intergenerational succession, professional manager and stakeholder are clearly stated from an academic perspective. Secondly, the theoretical foundations of this study are introduced, and the resource-based view (RBV), principal-agent theory, entrepreneurial theory and stakeholder theory are briefly reviewed respectively. Last, the status of studies at home and abroad is combined with current literature, and it is found that there is still room for expansion in the research field of professional managers and intergenerational succession of family businesses. The topic of this study is clarified again.

Chapter Three is Conceptual Model and Hypotheses. The information obtained from in-depth interviews was used as research data, and grounded theory was applied to extract six main domains, namely professional managerial competency, successor entrepreneur's competency, intergenerational conflict, employee organisational commitment, government support and the success of intergenerational succession, through open coding, axial coding, selective coding and theoretical saturation tests. A conceptual model was constructed for the relationship between them, and the concepts related to these six domains are defined. The based on the results of the interviews and previous research hypotheses on the relationship between professional managers and intergenerational succession of family businesses, this thesis proposed the following hypotheses.

Hypothesis one was proposed for the relationship between professional manager competence and successor entrepreneur competence; Hypothesis two was proposed for the relationship between professional manager competence and intergenerational conflict; Hypothesis three was proposed for the relationship between professional manager competence and employee organisational commitment; Hypothesis four was proposed for the relationship between successor entrepreneur competence and the success of intergenerational succession; Hypothesis five was proposed for the relationship between intergenerational conflict and the success of intergenerational succession; Hypothesis six was proposed for the relationship between employee organisational commitment and the success of intergenerational succession; Hypothesis seven was on the mediating role of successor's entrepreneurial competence; Hypothesis eight was on the mediating role of intergenerational conflict; Hypothesis nine was on the mediating role of employee organizational commitment; Hypothesis ten was on the moderating effect of government support on the impacts of successor's entrepreneurial competence on intergenerational succession; Hypothesis 11 was on the moderating effect of government support on the impacts of intergenerational conflict on the success of

intergenerational succession; Hypothesis 12 was on the moderating effect of government support on the impacts of employee organisational commitment on the success of intergenerational succession.

Chapter Five is Scale Development and Data Collection. Based on data from in-depth interviews and previous studies, this study went through the steps of variable extraction, initial scale design, expert discussion, card sorting and a small sample survey to obtain a research scale with high reliability and validity. The scale contains a total of 24 items, including three on intergenerational success, five on professional managerial competency, six on successor's entrepreneurial competency, four on intergenerational conflict, three on organisational commitment and three on government support.

Chapter Six is Empirical Analysis. The conceptual model and hypotheses were tested by applying SEM to the empirical data collected through the online questionnaire survey. The results of the empirical analysis of this study suggest that: a). professional managers can indirectly contribute to the success of intergenerational succession by developing the competencies of successor entrepreneurs; b). professional managers can indirectly contribute to the success of intergenerational succession by mitigating conflict between two generations of entrepreneurs.

Chapter Seven is Research Conclusions, Implications and Prospects. Firstly, the empirical findings and conclusions of the study were summarized. Secondly, relevant managerial insights were presented based on the findings. Finally, the shortcomings of this study, research limitations and directions for future improvement are discussed.

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Chapter 2: Literature Review

2.1 Key concepts

2.1.1 Family businesses

Family businesses constitute the most popular and earliest type of business in the world, and family businesses perform important functions in national economies, including providing job opportunities (Ramadani et al., 2017). Western countries have a long history of modern enterprise development, especially after World War II, when private enterprise was able to flourish, with some of the best family businesses such as Walmart (Walton Family) and Volkswagen (Porsche Family) (Gallucci et al., 2015). Theoretical research on family business has been conducted by foreign scholars since the 1960s and attracted widespread attention around the 1980s when a large number of research results emerged. In the 21st century, the family business is increasingly recognised as a separate field of study (Gagné et al., 2014), and after being challenged by many scholars, attempts have been made to define a clear definition of the family business. Unfortunately, scholars have not yet reached a consensus on the definition of a family business (Chua et al., 2012).

Different scholars have defined family business from different perspectives. On the one hand, the concept and understanding of “home” and “family” vary from region to region, and the definition of family business varies from region to region (Binz et al., 2017). The most basic concept is that the family owns the assets of the business as well as the business (Handler, 1989). Chandler (1977) proposed a qualitative criterion that the owner and his closest partners (and the family) have always held a majority of the equity in the business. Astrachan et al. (2002) defined family business in terms of family involvement in business operations and decision-making. Chrisman et al. (1998) defined family business in terms of family vision, i.e., the family’s desire to family to achieve long-term family growth through management and control of the business and intergenerational succession.

Based on foreign studies, Chinese scholars have also refined the connotation of Chinese family businesses according to the cultural and psychological characteristics of Chinese society. The concept of “pan-familialism” was first introduced in China in the Countryside (Fei, 1999), in which Chinese vernacular society adopted a differential order pattern, and the extension of

the family was highly scalable, with the family not only being those who were related by blood or marriage but also extending to those who were familiar to them under certain conditions (Fei, 1999). “Family” and “clan” have profoundly influenced people’s thinking and behaviour patterns, and have also laid down the basic pattern of interpersonal relationship construction in Chinese society. In the process of creating and running a business, family ties are an important way to obtain resources, and therefore, the pan-familial network of Chinese society should be an important dimension in defining family businesses (Chu, 2004).

In terms of the manifestations of family businesses, Chu (2004) argued that the main forms of family businesses are single-ownership, pure family, pan-family (including friends, classmates, hometowns and other “acquaintances” in addition to family members), family-controlled businesses, and listed businesses in which family members maintain critical control over the ownership and operation of the company. The company’s ownership and operation are controlled by the family. S. M. Li and Wang (2004) argued that the definition of a family business requires four conditions: family, property rights, control, and management positions. The above views are reasonable in defining family businesses from the perspectives of ownership and management, family involvement and behavioural intentions, but the criteria used by foreign scholars to define family businesses are mostly focused on the ownership and control of the enterprise. It may be unsuitable in the cultural context of Chinese society. Therefore, Chinese family businesses must take into account the peculiarities of Chinese culture when defining a family business.

In summary, the definition of family businesses is dynamic and multi-dimensional. By combining the views of many scholars at home and abroad from different perspectives, this thesis defines family businesses from five aspects: management, ownership, interest objectives, transfer of power and social culture. A family business is a corporate form operated on the basis of blood kinship and supplemented by social relations. Family members hold more than a critical shareholding ratio in the business, pursue the dual interests of the family and the business, and have ownership that can be legally and freely passed on within the family, in which the dual cultures of family and business are intertwined.

2.1.2 Intergenerational succession

Intergenerational succession generally refers to the inheritance of a family business (D. Q. Chen et al., 2013). Succession is not a one-off event, but a continuous process that starts with the first generation of owners and continues to the next generation (Ramadani et al., 2017). In

terms of the definition of intergenerational succession, different scholars have different perspectives (Shen, 2018). However, even though they have different views, there are four parts covered in the research on the definition of intergenerational succession: the path of intergenerational succession, the content of intergenerational succession, the process of intergenerational succession, and the model of intergenerational succession.

2.1.2.1 Pathways of intergenerational succession

The pathways of intergenerational succession in family businesses are usually chosen between family members and non-family members (Ansari et al., 2014). From reading the literature, we find that family members still dominate the succession path of Chinese family businesses. Some scholars pointed out that succession by family members is more conducive to business development because family members are more committed to the management of the family business. Family members also have a mission to promote the business, and have a higher level of loyalty to the business, which is conducive to the growth and long-term prosperity of the family business (Chung, 2013).

Z. H. Han et al. (2005) studied the succession of family businesses in Zhejiang through qualitative interviews and found that although family business succession is not an irrational process that is all about emotion but not ability, the generation of leaders requires a high level of ability from their successors. X. C. Li and Tan (2010) argued that family members not only have the relevant expertise, but also have more access to the business and participate in decision-making, giving them a unique resource advantage that can create a multiplier effect of competence. L. X. Wang (2016) found that family members are more likely to align their interests with those of the firm and have a greater willingness to lead the firm due to internal altruism. Y. Zhang and Guan (2018) found that internal successors are more familiar with the firm, less likely to cause turbulence and disruption, and have a weaker impact on intergenerational succession events and a lower decline in firm performance.

In contrast to the conclusion that succession by family members is beneficial to business performance, some scholars believed that non-family members are better able to manage effectively and improve business performance. The reason for this is that succession by family members carries the risk of undermining business development due to their lack of competence, while succession by professional managers, with effective management mechanisms, can lead to positive growth in business performance. Chiu and Sharfman (2018) thought that the external succession model is more conducive to innovation and change because of the advantages of professional managers, but they also point out that the biggest disadvantage of

the external succession model is that it is difficult for family businesses to control the loyalty of professional managers. Guo et al. (2022) studied A-share listed family businesses and found that when the founders are politically connected, succession by professional managers is beneficial to firm performance; succession by family members may lead to a decline in firm performance. Using a quasi-natural experiment, J. A. Zhu et al. (2017) found that non-family member managers are highly sensitive to pay performance, and when firms enter into pay-performance-sensitive compensation incentive contracts with managers, they can align the interests of shareholders and executives, thus benefiting firm performance.

2.1.2.2 The content of intergenerational succession

In terms of the specific elements and content of succession, scholarly research has focused on three core types of succession: ownership, management, and special asset (Eklund et al., 2013). S. Y. Zhu (2006) also conducted a study on intergenerational succession as the inheritance of the founder's spirit by family members and the development of innovation. Janjuha-Jivraj and Spence (2009) further enriched this research by analysing the process of intergenerational succession, suggesting that the process of succession includes the entrepreneur's tacit knowledge, relationship networks and spirituality. The process of replacing the current manager with a successor. The Family Business Committee of the China Association of Private Economic Research (2015) defined family business succession more narrowly, arguing that in addition to the transition of management rights, family business succession should also include the transition of external ownership.

On the basis of power transitions, many scholars proposed that the succession of a range of special assets cannot be ignored. These assets include values, tacit knowledge, and social capital (Yu et al., 2013), and the succession of these special assets protect corporate values and is important for the survival and development of the firm. Some scholars have also explored the core elements of intergenerational succession at different levels. Baltazar et al. (2023) summarised the relevant research findings and concluded that there are three main levels of succession: position, control and core (intangible assets such as corporate values, business philosophy and social resources). Further research suggested that intergenerational succession transfers not only leadership and ownership, but also knowledge, values and social capital and related consultants, boards of directors, and other key members of the business (Jaskiewicz et al., 2015).

2.1.2.3 The process of intergenerational succession

Intergenerational succession in family businesses is a dynamic, multi-stage, multi-stakeholder process (Daspit et al., 2016). The process of intergenerational succession was first explored in the “two-generation life cycle model of fathers and sons” proposed by Longenecker and Schoen (1978) and has been further explored by subsequent scholars. For example, Handler (1990) proposed a “four-stage model of succession roles” based on the “four-stage model”, which suggested that the different stages of the intergenerational succession of a family business can be regarded as the process of adjusting the roles of business owners and their heirs.

The results of these studies provide businesses with rules to follow when formulating their succession plans, provide scientific analysis methods to diagnose problems that arise in the process of succession, and provide useful guidance for businesses to complete their succession plans.

2.1.2.4 Patterns of intergenerational succession

The intergenerational succession of family businesses has its special characteristics. It can be generally divided into the “son inherits his father’s business” model, in which members of the family inherit the business, and the professional manager inheritance model, in which professional managers are introduced to participate in the management of the business and family members retain ownership of the business (Peng, 2013).

(1) Internal succession model

In the internal inheritance model, the ownership, management, and special assets are all held by the successor entrepreneur and members of his or her family. This model can be further subdivided into two cases.

In one case, the successor entrepreneur has absolute control. This model of maintaining the original power structure reduces the likelihood of power struggles between successors, who can then focus on running the business and ensuring a smooth transition throughout the succession period. The alignment of power and responsibility allows the successor to exercise power with the implied responsibilities and risks in mind, and facilitates the growth of the business. One of the important reasons why Japan has the most long-lived businesses in the world is that they tend to leave the business intact with one of their children, rather than sharing it equally, as is the case with Chinese businesses.

The other model is one in which control is dispersed among family members. This model of decentralised control is less stable than a family business controlled by individuals, which is a governance structure that has shifted to collective control by multiple people. The

fragmentation of control gives multiple family members a similar power base when it comes to deciding on major decisions, and they will take their own positions rather than maximise their own interests in terms of the best allocation of resources for the business as a whole. The centralised goal of business development will be replaced by a fragmented effort. This will lead to a decline in business performance and low competitiveness of the company. However, in either case, in terms of corporate governance, an absolute internal inheritance model is effective in reducing the agency risk that may result from bringing in external managers and in reducing the cost of doing business (without having to pay high compensation to the managers).

(2) Professional manager introduced model

In recent years, the introduction of professional managers in the intergenerational succession process has received the attention of family entrepreneurs. Incumbent entrepreneurs pass on ownership to successor entrepreneurs within the family, while leaving part of the management rights and special assets to professional managers (Yu, 2009).

The disadvantages of this model are also significant. Firstly, there is a lack of mutual trust. The loyalty of professional managers is easily suspected by family members, making it difficult for them to integrate quickly into the family business and to give full play to their motivation and talents. The trust between the entrepreneur and the professional manager needs to be established at a later stage of the process. The entrepreneur is afraid of losing control so he or she does not dare to delegate power. Then the managers are shackled because he has a job without power, and the efficiency of succession will be relatively low. Secondly, a system needs to be developed to discipline the manager. As professional managers lack a sense of family mission, they are more likely to chase short-term interests at the expense of the long-term development of the company (X. C. Li & Tan, 2010).

In summary, the current mainstream intergenerational succession path in China is based on bloodline. The core elements of succession include ownership, management rights and special assets. Referring to the view that professional managers are involved in the intergenerational succession model, this study defines the intergenerational succession of a family business as follows: the incumbent entrepreneur chooses his children, grandchildren or close relatives from within the family to inherit the ownership of the business, and in the process may hand over part of the management rights and special assets to professional managers.

2.1.3 Professional managers

2.1.3.1 The concept of professional managers

The earliest professional managers were created in the United States in the last century, and subsequently, some prominent scholars in the United States have defined the concept of a professional manager, some of whom consider a professional manager to be a person in charge of business operations who takes management as lifelong career development (Chandler, 1977). Some scholars have also defined professional managers in terms of five areas: planning goals, integrating resources, motivating subordinates, performance appraisal and developing employees. Professional managers are a rare resource for businesses, expensive in value but depreciating quickly and needing to be replenished frequently.

The conceptual connotation of the Chinese professional manager arose and developed in response to the Western concept of the professional manager and its institutional changes. As in the West, the concept of a professional manager has been conceptualised quite a lot in China due to different perspectives or research needs. W. M. Zhang (2003) considered professional managers as a class of people with good management experience who are engaged in full-time business decision-making and management activities. Some institutions or government departments have also defined the concept of a professional manager for practical business operation and management purposes (Ye, 2013). The Association of Professional Managers of Hainan Province defined a professional manager as a middle or senior manager of an enterprise. The Shanghai Labour and Social Security Bureau also considered a professional manager as a business decision-maker of a relatively independent department or enterprise in its Standards for Professional Managers. At present, the concept of a professional manager in China is widely used in practice and theory, and there are many professional manager associations around the country managers and technicians above the supervisory level can join the association and become a member of the professional manager.

Based on previous scholars' definitions of the concept of a professional manager, and taking into account the role of professional managers in family businesses and intergenerational succession in this study, this thesis defines the concept of a professional manager as a person who undertakes the responsibility of maintaining and increasing the value of the company's property, and whose main means of remuneration are salary, and stock options.

2.1.3.2 The role of the professional manager

Liu Jingmin, head of the Beijing University Family Business Succession Model Group,

suggested that the only way out for Chinese family businesses entering the succession process is to transform from a traditional management system to a modern management system. One concrete manifestation is the transformation from family management to joint management with a manager. Although it is not common in China to use the model of co-management with professional managers, and the market for professional managers is not yet perfect, it is undeniable that in order to avoid the risks of inheritance from blood relatives, and as the scale of the business continues to expand and the business needs to be sustainable, it is very important to adopt the succession model with the employment of professional managers.

(1) Avoiding the risk of succession from blood relatives

The addition of professional managers can improve the family's closed management, establish a modern management system, promote scientific decision-making mechanisms, improve communication and efficiency, and avoid loss of effectiveness. The intangible assets of the family are the personal values, decision-making skills, and political and business relations of the founder of the company. Even if entrepreneurs start training their children early on as successors (Le Breton-Miller & Miller, 2015), personal competencies and connections are difficult to inherit and cultivate.

Known as a business superhero, Li Ka-Shing, like most entrepreneurs, experienced a poor childhood and worked hard to achieve his current success, but his ability to become the richest man in Hong Kong and to build a powerful business empire relies not only on his keen business sense and ability to make the right decisions but also on his excellent connections. With his contacts, Li Ka-Shing has built up a unique and strong political and business relationship, which has enabled him to secure government-related business opportunities without difficulty. Even though he was cultivating his two sons early on to introduce his contacts, it is easy to see that the two sons did not have a clear advantage in maintaining their contacts. Therefore, once the proper functioning of a business is dependent on the entrepreneur's particular qualifications that are difficult to be passed on to the next generation, it is inevitable to introduce professional managers to build on the strengths and avoid the weaknesses and tailor the transformation of the business to a modern enterprise at the moment when the entrepreneur is ready to hand over the reins so that the business does not fail as the entrepreneur lets go.

(2) Expansion of the family business

To a certain extent, Chinese family businesses are almost always started by their founders from scratch (Bennedsen et al., 2015). In the early years, the business is usually small, with a single product and a simple mode of operation, and the entrepreneur makes decisions in an authoritarian manner that does not attract much conflict or dissent. With the rapid development

of the market economy, more businesses need to integrate with external capital to expand their scale, increase the technological content of the industry and improve operational efficiency (Herrero & Hughes, 2019). Shifting from a closed to an open model of business development, the single ownership structure can affect the raising of capital. An authoritarian approach to decision-making can lead to decoupling and backward management. Therefore, the rapid expansion of enterprise scale requires the professional knowledge and management expertise of professional managers to help businesses adjust their ownership structure, optimise resource allocation, and improve the construction of the family business systems. The engagement of professional managers can align the management level of the business to the speed of its development.

(3) Sustainability of family businesses

The goal of a family business is to achieve sustainability. It is essential to continuously improve its competitiveness in pursuit of sustainability. Businesses must not only focus on their current performance and maintain a leading position in the market but also on their future profitability. With the increasing globalisation and integration of the market and the introduction of the Internet, family businesses can only remain in the rapidly changing market through continuous strategic transformation and innovation (Neckebrouck et al., 2018). In response to changes in the external competitive environment, economic trends and industrial restructuring, family businesses have to develop new products, refocus their businesses and build up different core competencies, while ensuring their existing quality resources (Naldi et al., 2013). For the sustainability of the family business, it is essential to bring in professional managers as appropriate. With their market acumen, they can open up new sources of financing, develop new products, and launch them into a wider global market, creating new profit opportunities.

2.1.3.3 The need for professional managers

The founders of Walmart, which topped the 2015 Global Family Business 500 list, recognised the inevitability of professional managers driving business growth back in 1974. With the help of professional managers, each generation of family members has grown Walmart from the largest retailer in the United States to the largest company in the world, and the momentum has continued (Beta Finance Management, 2020). Zhou Kun, a well-known Chinese business trainer, mentioned in his monograph that one of the key principles that must be implemented if Chinese family businesses are to succeed is the separation of powers. The involvement of professional managers provides the conditions for the separation of the two powers. This thesis

synthesises the views of previous scholars and elaborates on the need for professional managers in intergenerational succession from four perspectives respectively.

(1) The perspective of the incumbent entrepreneur

The introduction of professional managers gives the company a “qualified successor”. The paternalistic management style of the incumbent entrepreneur is not only characterised by a high degree of centralisation and rule by man, but also by the care shown to subordinate employees, and the ideal of considering the company as their children. However, many attempts at inter-generational succession are futile, without suitable candidates trained in the company.

An important consideration is the willingness of the children of the incumbent entrepreneurs, the successor entrepreneurs. For example, the children of incumbent entrepreneurs are not very interested in inheriting the business; they think that they do not have enough ability to manage the enterprise; they are more open to the introduction of professional managers; they believe that hiring professional managers can better improve the efficiency of businesses and promote the management modernization.

(2) The perspective of business development

From the perspective of a family business, a certain number of non-family members holding senior management positions in the company and enjoying a high degree of trust is an important indicator of the professionalism of the management of the business, providing favourable conditions for further improving the governance and decision-making mechanisms of the business.

In terms of management philosophy and ability, although the incumbent entrepreneurs were once daring and dedicated for decades of years, enabling the company to develop to date, the lack of systematic knowledge of management and rigid thinking has made them unable to keep up with the changing times. Under their leadership, the company has lost the vitality to develop and innovate.

At this time, the introduction of professional managers can bring advanced management concepts, enhance the professional level of enterprise management, and break the current rigid situation of businesses. The introduction of professional managers can fill the gap in management capacity. In the face of increasingly fierce competition, rapidly changing production and management techniques, rapid changes in business models and the impact of unexpected events (epidemics, policy changes), managers with a higher level of management specialisation and adaptability are needed to lead the company out of a difficult situation.

The introduction of professional managers and increased professionalism in business

management can bring new social resources and broader social financing channels, which will be beneficial to the future growth of the company. For example, under the leadership of professional manager Fang Hongbo, Midea Group became the first major appliance company in China to enter the Fortune 500. There are also examples of small and medium-sized businesses, such as Sichuan Baoyuan Real Estate Development Company Limited, whose successor entrepreneur Qin Xianmin not only succeeded in taking over the business under the leadership of a professional manager who had been the secretary of the local party committee, but also expanded the scope of business and accomplished a significant increase in operating profits.

(3) The perspective of employees

The introduction of a professional manager can have a catfish effect and motivate the entire staff. In the past, there was a difference in the treatment of employees within and outside A family business. Many of the best employees encountered an “invisible ceiling” in the promotion because they were not family members, while family members were usually able to occupy leadership positions in important departments. This hurts employees whether they are family members or not. Some of the best non-family employees are lost, and even if they remain in the company, they will gradually lose their motivation to work. For employees who are family members, the absolute advantage over non-family employees and the overly stable working environment also makes them lose their motivation to develop themselves. The introduction of a professional manager is a way for the incumbent entrepreneur to demonstrate the attitude and determination to change the company to all employees, to give non-family employees hope for promotion, and to sound the alarm for some family members who are less competent and inactive.

(4) The perspective of social development

The introduction of professional managers is the general trend. In the early stages of the development of manufacturing businesses, the family-style management model can greatly reduce agency and supervision costs, and obtain a small space for survival with low labour costs, high energy consumption and high pollution. These businesses often in the low value-added link of the industrial chain. However, as labour costs rise, national environmental policies tighten, domestic and foreign competitors squeeze, market regulation and the legal system continue to improve, the grey area is getting increasingly smaller, making these family-owned businesses fell between the cracks and deteriorating their efficiency. To adapt to the changes in the market environment put forward higher requirements for the management expertise level of managers.

The introduction of professional managers is the trend of the times, as it is difficult for entrepreneurs alone to change their mindset and improve their management professionalism. In addition, the introduction of professional managers to improve the management professionalism and efficiency of businesses help to improve the development efficiency of society and create a better business environment.

2.1.4 Stakeholders

Stakeholders are those who can influence and be influenced by organisational performance and decisions (Freeman & Gilbert, 1988). For the intergenerational succession of family businesses, these stakeholders can be divided into three broad categories: a) those who are both family members and “family managers” of the business; b) Relatives who are related to the family members in the business; c) Employees of the business; d) People outside the business and the family.

In order to successfully achieve the success of family business succession, the interest requirements of family business stakeholders cannot be ignored (Zhao, 2016). Based on previous studies, we divided the stakeholders of family businesses into seven types, discussed their relationship with the intergenerational succession of family businesses from the perspective of different stakeholders of family businesses, and elaborated on the importance of stakeholders in the process of intergenerational succession.

(1) The importance of the founder of the family business for intergenerational succession

The founders of family businesses are the primary and central stakeholders of the business, and they often play a crucial role in the succession of power in their businesses (Daspit et al., 2016). The founders of family businesses often play a decisive role in the choice of successors.

Dou and Jia (2007) conducted interviews and found that most family businesses rarely consult non-family members and people outside the business on the issue of succession. In Chinese family businesses, the founders are mostly the major shareholders of the business, with personal or family shareholdings mostly remaining above 50%, with some even reaching 70% or more, and the concentration of shareholdings in family businesses is also a feature of Chinese family businesses. In the view of the founder of a Chinese family business, the business was founded by their hard work and they have made a great contribution to the development of the business. The long-established corporate authority has also made it possible to determine the power of the family business in a process where the succession of power in the business is a matter for the individual to decide and no other factors need to be taken into

account.

(2) The importance of family members serving in the business or shareholders other than the majority shareholder for intergenerational succession

In China, objective factors such as the immaturity of professional managers, the lack of trust and the opportunity cost of imperfect contracts result in professional managers being excluded from important positions and major decisions, even though they may hold management positions in the family business. As a result, family members and minority shareholders have a strong impact on the transfer of power in Chinese family businesses.

On the one hand, they are the contenders for power. The process of passing on power is also the process of redistribution of power in the family business. In the process of redistribution of power, the family and family members who do not have a shareholding believe that they have worked hard for the development of the business and wish to obtain part of the ownership of the business or promote themselves to a higher position. The many small and medium-sized shareholders who have a stake in the company are also interested in the management of the company and want to gain more power. On the other hand, they do not want to lose their vested interests. The family members and small and medium-sized shareholders who hold positions in the business, as those with a vested interest in the business, also want the business to achieve a smooth transfer of power without compromising their interests, thus promoting and maintaining the healthy long-term development of the family business. This requires the founder to take into account the interests of the many minority shareholders and family members, especially the core members, in the process of passing on the power of the family business, to consult them in the process of passing on the power, and to try to meet their reasonable requests and suggestions without jeopardising the interests of the company, so that the passing on of the power of the family business can be achieved smoothly.

(3) The importance of top management of non-family members of family businesses for intergenerational succession.

There are three main sources of the top management team (TMT) in family businesses: from within the family, from within the company, and from professional managers. The TMT of family businesses is still mainly generated from within the family and from within the business. In the process of passing on power in a family business, especially the passing on of management rights, TMT who are not members of the family can have an impact on the passing on of power as stakeholders with a vested interest. If their interests are compromised, they will set up obstacles to the succession of power, hindering and undermining the succession of power in the family business, so that it cannot be successfully realized. If their interests are protected

or enhanced, they will not interfere with the succession of power in the business as they wish and can even actively promote the realisation of the succession of power in the business.

(4) The importance of the children of the founder of a family business (the successor entrepreneur candidate) for intergenerational succession

It is also the ideal and hope of the first generation of Chinese entrepreneurs to pass on the family business to their children and to be able to pass on the business they have founded from generation to generation. Naturally, the children of the founders of family businesses should be the prime candidates for the succession of power in the family business. In China, the majority of family businesses have only been established and developed for a few decades. Almost all family businesses are currently run by the first generation of entrepreneurs who hold the power of the business, with only a small number of families started to pass on power or having completed the handover of power. With the continuous development of family businesses, the issue of succession has gradually been put on the agenda and has become one of the key issues affecting the sustainable and healthy development of family businesses.

(5) The importance of family members who do not work in the family business for intergenerational succession

Family members who are not employed in the family business, especially core family members of the entrepreneur, such as his or her parents, spouse, and siblings, have an impact on the succession of power in the family business (Bird & Zellweger, 2018). The succession of power in a family business is also a process of redistribution of power in the family business. Family members who do not hold positions in the family business, especially core family members, become candidates for power succession. If their children do not want to take over or choose other careers for their reasons, or if their fathers do not want their children to take up the same jobs as themselves, these family members will be considered as candidates for succession, ensuring that the family nature of their business does not change.

(6) The importance of the general employees of the family business for intergenerational succession

At present, except for a few family businesses in China that are in the process of or have completed their corporate power transfer, most family businesses are facing a corporate power transfer from the first generation of entrepreneurs to the second generation of family members. The transfer of power in a family business is in turn one of the key elements in the sustainability of the business, and as the general employees of the business, they also hope that their business will successfully achieve the transition of power in the business, thus securing their current jobs.

However, in the process of power transfer in Chinese family businesses, the general employees of family businesses have no decision-making power over the transfer of power in their businesses. They do not have veto power over the decisions and implementation of the top management of the business in this process. As a result, the average employee of a family business can only passively accept the decisions of his or her business in the process of passing on power.

On the other hand, in the process of passing on the power of the family business, the general staff of the family business can have close contact with the successor of the business and can have an intuitive understanding of the subjective personality of the successor in terms of his ability, conduct and style of work, which can also promote the general staff's sense of identity and belonging to the business and enhance the cohesiveness of the family business. The general staff of the family business may also be recognised and appreciated by the successor of the business, and thus be reappointed and promoted to become the new management in the new power structure of the business.

2.2 Main theories

2.2.1 Resource-based view

The resource-based view (RBV) originated from A Theory of Business Growth (Penrose, 2009), in which he argued that the development of a business is a process of aggregating and applying knowledge to production, and that a business is a bundle of various productive resources, and that the difference between businesses is the heterogeneity of the resources they possess. This perspective shifts the source of a firm's competitive advantage from an external to an internal orientation, i.e., it examines the heterogeneity of the firm's internal resources. It also emphasises that these resources (human and physical) provide a certain level of performance for the firm (Mokhber et al., 2017).

The real RBV was proposed in the article The Resource-Based Theory of the Firm by Wernerfelt in 1984, where he defined the firm's resources as the "quasi-permanent" tangible and intangible assets belonging to the firm and argued that the firm's high performance comes from these resources rather than the product, as they provide additional rent (Shao & Meng, 2015). This is the core of the resource-based view. It encompasses the following: a). differences in a firm's competitive position depend on the nature of the resources it possesses; b). a firm's competitive advantage is its advantage at the level of heterogeneous resources; and c).

identifying, clarifying, allocating, developing, monopolising or breaking the monopoly of competitors over these resources is how a firm ultimately achieves high performance.

Barney expanded on Wernerfelt's view at the strategic level by suggesting that a firm's strategy formulation and decision-making depends on the resources it possesses, and proposing three attributes that define resources with a competitive advantage: a). they must be valuable, in the sense that they present an opportunity or reduce a threat to the firm; b).they are rare in the firm's current or potential competitive environment; and c). they are difficult to imitate; the reasons why these resources are not easy to imitate include the fact that a firm's ability to acquire them depends on unique historical conditions. There is an ambiguous causal relationship between the resources a firm possesses and the firm's sustained competitive advantage, and the environment in which the resources lead to the firm's competitive advantage is socially complex. However, sometimes even if the resource is neither rare nor easy to imitate, it can still be considered a resource with a competitive advantage due to the lack of strategic substitutes. barney provides an operational approach to the determination of competitive resources, but what he does is static stock analysis.

Peteraf then took a dynamic flow approach to analyse his competitive strategy from a price-theoretic perspective, with four conditions: a). the source of rents: a heterogeneous resource; b). the maintenance of rents: imperfect mobility of the resource; c). that rents are not offset by acquisition costs: an ex-ante constraint on competition; and d). the persistence of rents: an ex-post constraint on the competition.

Habbershon and Williams (1999) pioneered the application of the RBV to the study of family businesses, arguing that the systematic interactions between owners, their families and their members and the firm create unique familial resources and capabilities that lead to competitive advantages (disadvantages) and ultimately have an impact on the performance of the family businesses.

Habbershon and Williams (2003) adopted RBV to identify the unique family-based resources and capabilities that create a competitive advantage in family businesses, while Simon and Hitt (2003) explored the impact of family on the formation of family business strategy. Kellermanns (2005) devised a hierarchical model of resource management in family businesses. Moores (2009) raised the question do all family businesses have familial resources and argued that the characteristics of family resources are somewhat vague.

Chinese scholars explored the issue of family involvement based on RBV, analysing the forms of family involvement and its impact as a strategic resource on the value creation activities of family businesses, and discussing how family businesses can manage these

resources and turn resource advantages into competitive advantages. Based on RBV, F. M. Wang (2013) conducted a theoretical and empirical study on how the dimensions of familial resources affect the entrepreneurial orientation and performance of family businesses, and how the dimensions of entrepreneurial orientation of family businesses affect firm performance, taking family businesses that have completed intergenerational succession in China as the subject of his study. All these studies highlight the important contribution of the resource-based view in achieving academic success in family business research (H. Shi, 2016).

In this study, the professional manager, as one of the key managers of the firm, is an important human resource for the business, bringing a large number of intangible assets. The resources that bring competitive advantage cannot be traded through market mechanisms, in other words, they cannot be bought and can only be “produced” by the business. Such resources are mainly intangible assets, such as personal and corporate know-how, organisational processes, corporate attributes, reputation, knowledge, and the social network of the firm or individual.

Thus, the strategic resources that give a company a competitive advantage are accumulated over time and following certain practices or procedures, i.e., the heterogeneous resources of a company that carry a sustainable competitive advantage are those non-tradable rents that are not fully liquid and are accumulated through the flow of resources that result from ex-ante and ex-post competition restrictions at a certain time. The personal competence and social resources of professional managers undoubtedly bring a competitive advantage to the family business.

2.2.2 Principal-agent theory

The theory of principal-agent originated in the 1930s when economists Berle and Means discovered the disadvantages of the owner-manager approach to business management and proposed the principal-agent theory, a model in which the owner retains ownership of the business and cedes the management rights (Yan & Liu, 2013).

The modern sense of principal-agent theory was first proposed by Ross (1973). An agent (usually a professional manager employed by a company) is entrusted by the principal (usually an incumbent entrepreneur) to exercise part of the decision-making power on behalf of the principal’s interests, thus forming a principal-agent relationship between the two parties. The principal-agent relationship is essentially a contractual relationship between the principal and the agent.

After further studies on the principal-agent relationship, economists such as Berle and

Means pointed out that due to the differences in incentives and responsibilities between the principal and the agent, as well as information asymmetries, the agent may act opportunistically, take a moral hazard and make adverse choices, so harm the interests of the principal. The ensuing problem of principal-agent costs becomes a major obstacle to the good functioning of principal-agent relationships. As the adverse consequences of adverse selection and moral risks in the principal-agent relationship are ultimately borne by the principal, the principal in the principal-agent relationship will choose to pay a certain cost to prevent the principal-agent risks arising from information asymmetry, inconsistent objective functions and uncertainty.

The traditional principal-agent theory is mainly based on the assumptions of rational participation and the blending of constraints and incentives (Steinle et al., 2014). If people are always rational, then as long as the firm pays them well enough, agents will feel comfortable working in the firm and will not act in a way that is detrimental to the interests of the firm's shareholders (Pepper & Gore, 2015). The theory of incentive compatibility assumes that the interests of the principal and the agent can be aligned, i.e., a win-win situation with the agent is achieved on the basis of a better outcome for the firm.

However, in practice, if both parties seek to maximise their benefits, this will inevitably lead to a misalignment of interests between the two parties, resulting in the agent's behaviour deviating or even diverging from the principal's expectations. In the pursuit of greater benefits, the agent is likely to take advantage of information to act opportunistically and maximise financial benefits for himself. However, as the principal cannot cede all shares to the agent, it is destined that the interests of the principal and the agent will never be fully aligned.

Many scholars conducted studies related to family businesses based on principal-agent theory. In terms of family business successor selection, principal-agent theory can be used to explore the issue of choosing family members or outsiders, as well as any effective incentives for outsiders in the case of choosing them B. Q. Wang (2004).

In the context of family business operations, in order to prevent principal-agent risk and ensure fairness in the interaction from an institutional perspective, the incentive and constraint mechanisms for professional managers should be reasonably designed in terms of remuneration, reputation and other aspects to ensure that agents' target returns are maximised with integrity and hard work, thus ensuring that they consciously serve the interests of shareholders and ultimately achieve Pareto improvements in the interests of both parties (W. Gao & Luo, 2012).

In addition, due to the reduction of agency costs, compared with family members of distant relatives, family businesses in which members of close relatives participate in the operation have a higher ratio of current assets and better operating performance. Due to the reduction of

social and emotional wealth constraints, compared with members of blood relatives, family businesses in which in-laws family members participate in the operation are also more inclined to allocate current assets to achieve better business performance (X. R. Cheng et al., 2019).

In this study, incumbent and successor entrepreneurs are considered as principals and employed professional managers as agents. The incompatibility of incentives between principal and agent is common, for example, the majority of the profits generated by the agent's business actions belong to the principal, while the agent is only paid a small percentage, while on the other hand, the principal is responsible for the day-to-day costs of his official duties. This incompatibility of interests may encourage the agent to act opportunistically at the expense of the principal to achieve his own interests.

It can be concluded that in a situation of information asymmetry, the principal is unable to force and ensure that the agent acts in the direction the principal wishes through a "forcing contract". The combination of incentives and constraints to guide and discipline the agent's behaviour is an effective means of solving principal-agent problems. However, everyone is influenced by the environment and society in the course of their behaviour and cannot always make rational judgements and decisions. If the analysis is done solely from the perspective of the economic agent, the accuracy of the results will inevitably be reduced. Therefore, it is important to consider both economic and non-economic factors in motivation, and to pay attention to the value preferences of each individual, in order to maximise the benefits of combining both factors.

2.2.3 Entrepreneurial theory

With the increasing prominence of the role and status of entrepreneurs in business, the entrepreneurial theory has gradually attracted extensive academic attention and can be broadly divided into three stages: classical theory, neoclassical theory and modern entrepreneurial theory (Zhou, 2014).

2.2.3.1 The classical theory stage

The term 'entrepreneur' was first introduced by Richard Cantillon. The term "entrepreneur" was first introduced by Richard Cantillon, who noted that an entrepreneur is a "risk taker". Later, Lin (1992) further developed the concept of the "entrepreneur" as an economic actor who combines all the means of production (labour, capital, land).

2.2.3.2 The neoclassical phase

Schumpeter (1990), a key figure of the neoclassical school, considered the entrepreneur as the great innovator and hero of industrial society, and believed that the function of the entrepreneur as the ‘soul’ of capitalism was to bring about innovation. According to him, the entrepreneur is the only true creator of corporate profits, a person who focuses on continuous innovation and can innovate, and who is able to better allocate the resources of the company in order to achieve sustainable competitive advantage and to continuously realise corporate profits. In his view, the entrepreneur is an indispensable factor of production in economic development and a “heroic figure” who drives economic development.

Marshall (1965) supposed entrepreneurial talent as a separate factor of production. According to him, there are two types of entrepreneurs: those who have capital and those who are employed by capital without capital. In addition to agreeing with Schumpeter (1990) on the innovative function of the entrepreneur, he also suggested another important characteristic of the entrepreneur, namely risk-taking. He pointed out that the function of the entrepreneur is to use his or her unique human capital to reallocate the firm’s factors of production, such as land, physical capital and labour, through organisational innovation without increasing inputs, thereby contributing to greater economic efficiency. At the same time, entrepreneurs need to bear the business risks arising from the innovative process of reallocating resources.

Marshall’s entrepreneurial theory not only gives entrepreneurs the role of “risk taker”, but also makes a specific division of entrepreneurial risk-taking within the enterprise, revealing the fundamental reason for entrepreneurs to obtain “entrepreneurial profit”, providing a theoretical basis for the incentive problem of operators. This provides a theoretical basis for the incentive problem of operators. Schumpeter’s and Marshall’s theories on the role of the entrepreneur in economic development and the dominant position of the entrepreneur have captured the main axis of contemporary economic development and are an important theoretical basis for corporate governance. It is precise because entrepreneurs play a special role in the process of economic development that they are also required to possess high levels of talent and quality. The acquisition of entrepreneurial talents and qualities comes at a great cost, and entrepreneurs, therefore, deserve a higher economic and political status to match.

2.2.3.3 The modern entrepreneurial theory stage

Unlike traditional theories, modern entrepreneurship theory is based on the assumptions of “risk asymmetry” and “information asymmetry” and adheres to a subjective choice theory based on “maximising personal interests” (H. Wang & Fang, 1999).

Coase (1937) argued that the entrepreneur is the key determinant of the formation of the firm system, laying the foundations of modern entrepreneurial theory and becoming an important milestone in modern entrepreneurial theory. Coase analysed the important role played by entrepreneurs in the formation of the firm system from the perspective of transaction costs. He argued that one of the important roles of entrepreneurs is to reduce transaction costs, and that when entrepreneurs make organisational transaction costs lower than market transaction costs, the business organisation replaces the market mechanism. Coase further argued that entrepreneurs can significantly reduce transaction costs, but that this role is always limited because entrepreneurs have a finite rational frontier and cannot reduce transaction costs indefinitely and unconditionally.

Alchian and Demsetz (1972) thought that the nature of the firm is a team production method, and that within the team as a whole it is difficult to separate and effectively observe the marginal contribution of each member, which can lead to lazy behaviour. Therefore, it is necessary to select individuals within the team who are dedicated to supervising the team members with the aim of monitoring their laziness. However, in order for the “supervisor” to remain highly motivated to supervise, the “supervisor” must be given the right to claim residuals.

Chinese scholar, W. M. Zhang (1995) extended the theory of entrepreneurship by arguing that capital is a signal of entrepreneurial ability, and that only those who are willing to act as entrepreneurs and have sufficient personal capital can become qualified entrepreneurs. He points out that entrepreneurial ability is at least or partly innate and untrainable, and that entrepreneurs are therefore highly scarce and entrepreneurial incentives are particularly important. He also argued that selection is more important than motivation when it comes to the motivation of operators (entrepreneurs), i.e., the first step is to select the right people and then implement an incentive plan for the selected people. He argues that businesses should first select people who have the right human capital and are willing to act as entrepreneurs to manage the business, and then they can use various incentive tools to motivate the operators.

In contrast to physical and non-entrepreneurial human capital, entrepreneurial human capital has become an indispensable form of capital for business creation and development, and is central to all the elements that enter into the business contract. At the same time, corporate governance structure, as an organic integration of legal, cultural and institutional arrangements (Carney et al., 2014), is the result of the free trade of property rights between different stakeholders, i.e., the game of property rights. With the establishment of entrepreneurs’ human capital property rights and the increasing prominence of property rights, entrepreneurs have

become the core and dominant players in the corporate governance structure (Yang & Zhang, 2005).

Therefore, this study focuses on how the thinking and behaviour of entrepreneurs are influenced by professional managers in the process of intergenerational succession, based on the entrepreneurial theory perspective.

2.2.4 Stakeholder theory

The early ideas of stakeholder theory can be traced back to a debate between Merrick Dodd and Adolf Berle, both Harvard Law School scholars in 1932. The term “stakeholder” was first coined by the Stanford Research Institute in 1963 and began to attract attention (C. L. Zhang, 2004).

Eric Rhenman combined stakeholder theory with industrial democratisation in Sweden in the late 1960s and put it into practice. Since the 1970s, stakeholder theory has developed rapidly and a number of schools of thought have emerged, of which two are typical. The definition of stakeholders varies within this school, but the common denominator is that they all emphasise the importance of giving full play to the role of stakeholders in the decision-making process. Another influential school of thought is the “social responsibility school”, which emphasises the importance of taking a broad social responsibility approach to business, rather than just being accountable to shareholders. Many scholars of social responsibility generally believe that organisations must make substantial changes in the context of society as a whole in order to be broadly accountable to the public, consumers and the community at large (Cruz et al., 2014).

An organisation, a contract or an institution is accepted by the public primarily because it plays an active role or performs a variety of socially beneficial functions in that society under certain historical conditions. Otherwise, the organisation or system would have no value and would have died out (B. Zhang, 2005).

In stakeholder theory, stakeholders are groups or individuals who have a direct interest in the actions and consequences of an enterprise’s production and operations. Although there are many definitions of the stakeholder model, they all emphasise the need to balance the interests of internal and external stakeholders in the corporate governance process. These stakeholders include shareholders, the board of directors, the management, employees, consumers, major creditors, major suppliers, trade unions, government, communities, industry associations and so on. The interests and concerns of these stakeholders are focused on the preservation and

appreciation of assets and the receipt of high dividends; creditors are concerned with the timely payment of principal and interest; and unions are concerned with the level of wages of their members, the stability and security of employment, and the fairness of promotion opportunities (Samara & Arenas, 2017).

The stakeholder model divides the groups with a direct interest in the company into several categories according to internal and external factors and the way they relate to the company, and requires that the company's production and management objectives and development strategies are compatible or at least do not conflict significantly with the interests of each of these stakeholders. As a matter of fact, the interests of the above-mentioned stakeholders' conflict with each other, therefore, the production and management objectives and development strategies of the enterprise should be a product of the coordination and balance of the interests of the above-mentioned stakeholders (Y. Liu, 2002).

In the succession process in a family business, the incumbent entrepreneur, the successor entrepreneur, the professional manager and all family members are stakeholders who, to varying degrees, influence or are influenced by the transfer of leadership (Sharma, 2001).

The succession process can be explained by looking at all stakeholder groups collectively. It is clear that the extent to which each stakeholder group influences the succession process and succession decisions are a function of the power, legitimacy and importance of the stakeholder group (Mitchell et al., 1997).

Thus, the intergenerational succession of leadership in family businesses is the result of the combined forces of various stakeholder interactions, which determine the direction, timing, speed and effectiveness of the intergenerational succession.

2.3 Current status of Chinese and international studies

2.3.1 Studies of intergenerational succession

The family business is an emerging and immature field of research (Benavides-Velasco et al., 2013), and the issue of intergenerational succession has attracted the attention of family business scholars since the birth of the family business field (Xi et al., 2017).

As early as 1871, in his book *The Organisation of the Family* posed the question: should the company be passed on to all the children of the founder or only to the first son (Barach & Ganitsky, 1995)? Today, almost every conference, seminar or workshop on family business management focus on intergenerational succession (Nordqvist et al., 2013). Xi et al. (2017) in a

bibliometric study analysed almost all family business thesis published before 2012 and identified intergenerational succession as one of the most important ones of the five thematic clusters.

Cisneros et al. (2018) conducted a systematic literature review of 661 articles published by 1105 authors in 224 scholarly journals indexed in the Social Science Citation Index (SSCI) and Scopus between 1939 and 2017. The findings showed that family business intergenerational succession research is generally characterised by a high degree of fragmentation in authorship, but with strong interconnectedness between leading scholars. Most studies have focused on North America and Europe (Zaefarian et al., 2016), with a growing number of relevant studies in China (Weng & Chi, 2019), and most are not theoretically or methodologically specific (Kotlar & De Massis, 2013).

Based on this, this study, through a review and collation of recently published literature, divides the research related to intergenerational succession into four areas to be addressed separately: evaluation indicators of succession success, factors affecting intergenerational succession, intergenerational conflict in succession and the impact of an intergenerational succession of the business.

2.3.1.1 Evaluation indicators for the success of succession

Family businesses, like any business, pursue two aspects of performance objectives, subjective and objective performance objectives (Delmas & Gergaud, 2014; J. Lee, 1996; Yu et al., 2013). Subjective performance objectives refer to the satisfaction of key stakeholders, and employees, with the process and outcome of a business action (Zellweger et al., 2011). Objective performance objectives refer to the business performance from a business activity, such as profit, market share, and competitiveness (Porfírio et al., 2020).

According to Handler (1990), the succession process can be evaluated in terms of both the quality and the efficiency of the succession. Quality reflects the personal experience of the succession process by the family members involved, while efficiency has more to do with how others perceive the outcome of the succession. Thus, the evaluation of the success of intergenerational succession as a specific corporate behaviour also relies on two interacting dimensions - the satisfaction of the succession process and the effectiveness of the succession (Mitchell et al., 1997). The former is a subjective assessment of the succession process and decision-making, while the latter is the objective outcome of the succession event on business performance.

In line with this theory, X. Q. Yu (2013) combined the satisfaction of the succession process

and the performance of post-succession outcomes into a single indicator, which is named successful succession.

In addition to the two core dimensions mentioned above (subjective satisfaction and objective succession effects), some scholars have also tried to evaluate the outcome of succession in terms of the smoothness of the intergenerational succession process (Dou & Jia, 2008).

Santiago (2000) argued that as long as the succession is smooth and the changes brought about by the succession do not destroy the family and the business, then the succession can be called a successful intergenerational succession. Some scholars have also combined the above-mentioned family members' satisfaction with the succession process and the smoothness of the succession process. For example, B. Zhang (2005) pointed out that a successful intergenerational succession can be described as successful if both parties are satisfied with the succession and the business performance is smooth. Of course, the general applicability of these ideas remains to be further tested.

2.3.1.2 Factors affecting intergenerational succession

Intergenerational succession is a complex issue because of the subtle distinctions and linking ties between family and business and individual aspirations (Helin & Jabri, 2016). Personal, relational, process and managerial factors have an impact of up to 47% on the failure of intergenerational succession within a particular business family (Lockamy et al., 2016). For example, high business performance may not be enabled by the high skills and experience of the founders, but rather by the spirit of risk-taking that results from the entrepreneurial spirit of the founder generation, whose stories and experiences constitute an important tool that the new generation can put to good use (Parada & Dawson, 2017). Furthermore, barriers to intergenerational succession should be discussed at three levels: family barriers, institutional barriers, and market barriers (F. Y. Liu, 2021).

In summary, intergenerational succession is a process full of dynamics and complexity. In order to better guide the practice of family business succession, scholars have conducted a large number of studies on the factors influencing successful business succession. This thesis summarises and classifies these factors into three broad categories in an attempt to be clearer and more comprehensive.

(1) Factors associated with the two key figures in the succession process

Intergenerational succession means that the incumbent must plan for an exit and the successor needs to be nurtured (Nordqvist et al., 2013). Although there are many stakeholders

in the intergenerational succession process of a family business, the incumbents and successors of the family business are undoubtedly the two most important ones (H. Shi, 2016).

a) The personality, needs, and willingness to leave the office of the incumbent

As the incumbents of family businesses play a significant role in the success of intergenerational succession, more attention has been paid to the factors associated with the incumbents. For family businesses, the unique elements that give the firm a competitive advantage are generally owned by the founders, and the success of family businesses is largely dependent on the human capital of the entrepreneur (Dou & Jia, 2008). Based on an extensive review of the literature, we found that the reluctance of the incumbent to leave the office is the most frequent key impact. Other impacts, such as the incumbent's need for power, the incumbent's fear of retirement and death, and the incumbent's deep attachment to the company, can be categorised as antecedent variables for the incumbent's low willingness to leave. In addition, the incumbent's leadership style has an impact on the attitudes, norms, and perceived behavioural control of successors (Mussolino & Calabrò, 2014). In addition, other individual characteristics of the incumbent, such as the propensity to delegate, the propensity to mentor, and the propensity to share knowledge also have an impact on successful succession (Muskat & Zehrer, 2017).

Family business successors are important stakeholders in intergenerational succession. In contrast to the attention given by scholars to incumbents, it was noted that there is a disregard for successors and the need to give adequate attention to the successor's willingness to take over. Subsequently, it was also noted that the willingness of children to take the initiative in succession is crucial to the successful implementation of a succession plan. In addition to the willingness to succeed, the successor's education, internal and external work experience, and competency to lead and manage the family business has also been shown to have a significant impact on the successful succession of the business (S. S. Shi, 2014).

At the individual level, the tacit knowledge of entrepreneurs, entrepreneurial networks, and entrepreneurial spirit are important elements in the intergenerational succession of family businesses. Whether the successor adequately absorbs the key knowledge and skills of the predecessor largely determines the effectiveness of the intergenerational transfer of family businesses (Dou, 2008). The entrepreneurial spirit is crucial in a family business, and the successor's inheritance, development and innovation of the founder's entrepreneurial spirit is the key to successful family business succession (S. Y. Zhu, 2006). In addition, the transfer of knowledge or competence, which brings a competitive advantage to the firm, is the key to ensuring that the next generation of the family business can successfully control the firm (Yu et

al., 2013). The intergenerational succession of family businesses is not only a transfer of management and ownership, but also a transfer of tacit knowledge, and the success of the transfer depends largely on the effective transfer of this resource (L. X. Wang, 2016).

c) The relationship between the incumbent and the successor

A key factor for successful succession is the quality of cooperation between the incumbent and the successor, i.e., the relationship between the incumbent and the successor should be based on trust, loyalty, and respect, but with clear boundaries (Daspit et al., 2016). The important role that the quality of the relationship between family business incumbents and successors plays in the intergenerational succession of family businesses has also been recognised by many researchers (Kandade et al., 2021). Harmonious relationships between family business incumbents and successors help to facilitate open communication and feedback, which can have a positive impact on the successful succession of family businesses (Labaki et al., 2013).

d) The relationship between the successor and other family members and non-family members

It is believed that the transfer of leadership can only be considered successful if it does not disrupt the family and business system (Santiago, 2000). Therefore, we should also consider whether the future leader of the family business will get along well with the other members of the family and the non-family members of the business, and whether he or she will be accepted and affirmed by all. All these factors will have an impact on the successful succession of the family business and the performance of the business after the succession. As Handler (1994) pointed out, the lower the level of trust and commitment of family members and non-family members to a potential successor is, the greater the impediment to succession within the family business will be.

(2) Family factors

The uniqueness of family businesses lies in the interdependence of the family system and the business system. Maintaining a cohesive family business, an adaptable family culture and family relationships can facilitate smooth intergenerational succession (Bozer et al., 2017). The role of the family system in the process of business succession cannot therefore naturally be ignored, and relevant research can be summarised as follows.

a) Family members

Family businesses are “guanxi” businesses. Family businesses can operate with specific problems arising from disharmonious relationships between family members, while harmonious relationships between family members can have a positive impact on the

smoothness of the succession process. The continuity and success of any family business are closely related to the relationships between family members, while external factors such as technology, customers and competitors have very limited influence (Hoover & Hoover, 1999). Family business incumbents should consider the feelings of family members when making succession decisions, and if some family members are strongly opposed to the family's continued ownership of the business, such opposition may hinder the succession process and affect the family members' initial satisfaction with the succession (Sharma et al., 2003).

Family members' approval of the family's continued ownership and management of the business may increase satisfaction with intergenerational succession. Of all conflicts, conflicts between family members, especially between siblings, can disrupt family harmony and may jeopardise the continuation of the firm (Avloniti et al., 2014). A further part of the research focuses on family members associated with the firm (excluding incumbents and heirs), whose family values, membership and aspirations have a degree of influence on intergenerational succession, particularly concerning the strategic goals and day-to-day management activities of the firm (Jennings et al., 2013).

b) Family council

We know that family is emotionally oriented, and business is goal-oriented; the overlap between the two inevitably leads to conflicts, which may also affect the family business (S. S. Shi, 2014). This is where the role of family councils (e.g., to deal with family disputes, to advise on business development) becomes apparent. Although it has been suggested that the presence of a family council can guarantee the selection of a suitable successor, it has not been given sufficient attention as a potential source of intellectual input into the succession process. Therefore, the mechanisms by which this variable influences the succession process need to be further explored by scholars.

c) Gender structure in the family

While there are always differences in the distribution of resources and power among family members in different households, it is also interesting to see how the gender structure in the family plays a role in the intergenerational succession of family businesses (Jaskiewicz et al., 2015). Calabrò et al. (2017) reviewed studies on women's participation in family businesses using a driver-behaviour-outcome framework, classifying business entry, succession, career dynamics and the types of participation present in family businesses in 87 articles. The results show that the number of thesis on the topic of gender in family membership has more than doubled in the last decade.

Businesses and families have both female and male members, so interpersonal

relationships between parents and children and between siblings and company employees carry gendered meanings, which are particularly reflected in the dynamics of business succession (Gherardi & Perrotta, 2016). Studies related to women in family businesses examined the role of daughters in leadership positions, exploring their experiences in the succession process (Mussolino et al., 2019). In some cases, women are often perceived as having difficulty acting as successors because they are not sufficiently socialised, and the division of gender roles in the family and exclusionary practices in the workplace means that women are often marginalised in the succession process (Rachmawati & Suroso, 2020).

The gender preferences of incumbent entrepreneurs for their successors can also influence the rules of the sibling leadership ‘race’ and play a key role in the outcome (Ahrens et al., 2015). For the most part, their roles in family businesses are often constructed as masculine stereotypes (Chirico et al., 2018). Female successors establish their self-positioning, challenge, negotiate, struggle, or conform to gender norms prevalent in male environments. As a result, female successors often need to “identity” shift in different contexts, sometimes even internally assuming male identities to increase their sense of belonging. In summary, given the importance of family businesses to the national economy, society and the family itself, the gender inequalities that have long been manifested in intergenerational succession need urgent attention (Gherardi & Perrotta, 2016).

(3) Other relevant factors

a) Plans for intergenerational succession

Due to the dynamic and complex nature of the intergenerational succession process in family businesses, many scholars have pointed out the importance of succession planning (Sharma, 2001). In a family business without a succession plan, the sudden failure of the incumbent to continue to manage the business (e.g., illness, death) can lead to disruptions in power and authority, conflicts between offspring and difficult asset issues. A well-designed succession plan has the potential to increase the level of cooperation between stakeholders and thus increase the satisfaction and smoothness of the succession. However, there is a small body of literature that focuses on topics related to unintended succession, unplanned succession without a written plan, or informal succession (Chalus Sauvannet et al., 2016).

b) Involvement of professional managers

As professional managers are increasingly involved in the process of intergenerational succession, the impact of the role of the professional manager on the success of intergenerational succession cannot be ignored (D. Q. Chen et al., 2013). On the one hand, professional managers show a singularity of economic goals compared to family executives,

whereas controlling families have complex and sometimes non-economic values that run counter to their economic goals (Chrisman et al., 2012). Therefore, performance after intergenerational succession may be better due to the single economic goal of the professional manager. On the other hand, although family successors tend to have lower business competencies than professional managers and may be less willing and less dedicated to succession than professional managers with strong motivations for personal achievement, they have advantages in achieving the family's non-economic goals, such as security, maintaining family harmony, and achieving family member growth (Kotlar & De Massis, 2013). However, the involvement of professional managers in business operations is supposed to dilute family control and focus more on economic performance. Therefore, hiring professional managers to join the intergenerational succession process has the advantage of improving business performance (J. A. Zhu et al., 2017).

c) Influence of other stakeholders

In family businesses, some stakeholders are essential and have a significant impact on the development of the family business (Zhao, 2016). There is a growing recognition that intergenerational succession involves certain unique contextual factors (e.g., personal, organisational, family), including a variety of stakeholders that must be considered and expanded over time. Non-family employees view the family business as an extension of the family, and although all non-family employees are committed to participating in the business based on performance, they all perceive the current and successor as using nepotism rather than meritocracy (Salvato & Aldrich, 2012). Specifically, non-family employees perceive the agreement to include inappropriate family bias (nepotism), whereby non-family employees perceive themselves to be outside the family circle of trust, regardless of the family's intentions for involvement (Bozer et al., 2017). This identification with the "blood is thicker than water" principle may lead to uncooperative and obstructive behaviour in intergenerational succession (Barnett et al., 2012).

2.3.1.3 Intergenerational conflicts in succession

After more than 40 years of reform and opening up, many family businesses in China are now entering a critical period of intergenerational succession (Y. M. Wang, 2019). Most family business owners want to pass on their business to their children, even if the children are not suitable to take over the business. In terms of intergenerational succession practices in Chinese family businesses, there have been many cases of failed succession (e.g., the Haixin Group and the Yang Xiecheng Group). There are three main levels of problems in the succession process

(K. Zhang et al., 2009).

(1) At the individual level, such as a lack of willingness to pass on by the incumbent, insufficient trust in the successor by the incumbent, or limited competence of the successor.

(2) The organisational level, the absence of a well-developed succession plan and supporting institutional safeguards, and the loss of organisational authority.

(3) At the strategic level, inappropriate strategy formulation or a lack of attention to the development of strategies can lead to businesses losing their way after the transfer of power.

However, the most prominent problems in family business succession are at the individual level. Scholars generally agree that these “inheritance pains” are deeply influenced by the relationship between the two generations. While personal, relational, contextual and financial factors can also interfere with the intergenerational succession of family businesses, conflicts can even harm the longevity of family businesses (Cisneros et al., 2018). Therefore, the intergenerational conflict has a strong relationship with the outcome of family business succession (Y. G. Lee et al., 2015). The conflict between family members is one of the main causes of family business stagnation, and the relationship between leaders and successors is a key factor in determining the success of succession (R. C. Li, 2021). Much of the existing research on intergenerational conflict in family businesses is included in the study of family member conflict (Blumentritt et al., 2013).

First, research on the types and effects of family member conflict draws heavily on Jehn’s (1997) classic theory of organisational conflict: organisational conflict is divided into task conflict, process conflict and relationship conflict; task conflict and process conflict have a beneficial effect on the organisation, and relationship conflict has a detrimental effect on the organisation. Relationship conflict between family members can not only have a devastating effect on the performance of a family business, but can also inhibit the beneficial effects of task and process conflict on performance (Kellermanns & Eddleston, 2010). Furthermore, conflict among family members can be divided into task conflict, where there is disagreement between family members about the content of the task being performed, and relationship conflict, which is a socio-emotional conflict caused by interpersonal disagreements unrelated to the task (Hoelscher, 2014).

Secondly, regarding the management of family member conflict, De Clerccq and Belausteguigoitia (2015) ignored the different types and different implications of conflict, propose a cooperative and a competitive management approach, and argued that the former can activate the relationship between cross-generational strategic engagement and innovation pursuit, but the latter may weaken it. Finally, the main causes of intergenerational conflict, a

key category of family member conflict, including difficulties in reaching consensus between the two generations on the strategic direction of the business, children's desire to distinguish themselves from their parents, the tendency of incumbents to maintain decision-making authority over their successors and their reluctance to involve their offspring in business decisions, which results in a lack of communication between the two generations, and the shadow cast by the incumbent's great achievement, making children more resistant to take over and exacerbating the intergenerational conflict in the family business (R. C. Li, 2021).

Drawing on Amason and Sapienza's (1997) classic theory of team member conflict, intergenerational conflict in family businesses can be summarised as cognitive conflict and affective conflict (R. C. Li, 2021). On the one hand, cognitive intergenerational conflict refers to the intergenerational conflict between two generations in terms of recognising, understanding, and accepting new things and ideas due to differences in values, cultural perceptions and other ideological perceptions and differences in cognitive abilities. Therefore, intergenerational differences in upbringing and education will lead to cognitive intergenerational conflict (La Barbera, 2015). Cognitive conflict is often beneficial to the younger generation in terms of discovery and capacity building. As reasoning becomes clearer, a moderate level of cognitive intergenerational conflict will ultimately benefit the family business if the two generations are able to communicate effectively so that conflicts can be effectively resolved and both generations can improve their cognition, knowledge, or experience.

On the other hand, during the growth process of children, due to poor parenting or the status of an only child, emotional loneliness and rebelliousness appear. They also tend to be lonely and arrogant. The tense family atmosphere and the pressure of taking over businesses lead to resistance from their parents. Some entrepreneurs, who are both president and parents, cannot change their roles well and often bring the authoritarian dictatorship of the business into the family, devaluing some of the ideas and concepts of their children, which makes them emotionally frustrated, feel suppressed from their fathers and losing their willingness to take over. Ultimately it is difficult to pass on the family business to the next generation. These emotional factors cause emotional frustration and ultimately emotional intergenerational conflict between the two generations of the family business. Thus, poor parenting and the experience of being an only child often leads to emotional intergenerational conflict. Emotional conflicts are often detrimental and only serve to discourage the younger generation from perceiving and taking over the business. The isolation, rebellion or arrogance caused by poor parenting and the experience of being an only child cannot be resolved through communication.

As the saying goes, a leopard cannot change his spots. It is easy to change rivers and mountains but hard to change a person's nature. Once the second generation has developed a personality that is not conducive to succession, it is difficult to resolve it through communication. Emotional conflicts can even lead to a loss of willingness to communicate between the two generations. Therefore, communication is not an effective way to resolve emotional intergenerational conflicts, which in turn is not conducive to the smooth succession of the family business.

2.3.1.4 The impact of intergenerational succession on the business

Intergenerational succession can be seen as the pursuit of new business opportunities by successors and the revival of the firm (H. X. Shi et al., 2019). When succession occurs in a family business, the impact of changes in management on the performance and profitability of the firm is important. Some scholars have compared the corporate performance of family businesses before and after intergenerational succession and found that intergenerational succession can have an impact on corporate performance (Chung, 2013). It has been argued that maintaining the original power structure when the founder leaves the firm can help improve firm performance (Binz et al., 2017).

Moreover, when the founder of a family business remains within the firm after intergenerational succession, the impairment of firm performance is reduced. A well-developed internal corporate governance system will facilitate a smooth transition of the family business and the transfer of power, thus reducing the negative impact of intergenerational succession (Han et al., 2005).

However, there is another group of scholars who believe that successor entrepreneurs are more important for enhancing firm performance. For example, the successor serves as a corporate executive and participates in operational management, which is beneficial to corporate performance (Gallucci et al., 2015), and the successor's ability has an enhancing effect on corporate performance (L. X. Wang, 2016). The earlier involvement of the successor in the day-to-day operations of the family business is conducive to the establishment of a stronger trust mechanism within the business, which will have a positive effect on business performance when the successor is in the preparation stage and involved in the management stage (Kandade et al., 2021).

Having a family member take over as chairman is beneficial to firm performance, while having a successor on the executive team prior to taking over is detrimental to firm performance and the impact of having the original leader stay on the executive team after stepping down and

changing both the managing director and chairman varies by firm size (Rachmawati & Suroso, 2020).

Some scholars have also focused on the effects of intergenerational succession on firms other than performance (Binz et al., 2017). One study found that intergenerational succession has a significant negative impact on the share price of listed businesses (J. H. Xu & Zou, 2019).

In terms of strategy, due to the differences in educational background and life experiences between the first and second generations, the second generation has richer overseas experiences and a stronger spirit of change compared to the first generation, and the second generation tends to make strategic changes to the company (Shen, 2018). Intergenerational succession in family businesses can reduce the level of diversification, while in-depth management by heirs can enhance the risk tolerance of the firm and facilitate the implementation of diversification strategies (Weng & Chi, 2019).

In terms of capital, founder ownership of chamber capital will significantly increase the likelihood of successor ownership of chamber capital when the successor becomes chairman or general manager (Herrero & Hughes, 2019).

At the same time, founders who lack political capital are more likely to pass on chamber capital than those who have political capital. In addition, the intergenerational succession of chamber capital in family businesses has a threshold effect, with the likelihood of successor ownership of chamber capital increasing only if the founder has chamber capital at the provincial level or higher, and the succession of chamber capital helps to increase firm value (Michel & Kammerlander, 2015).

2.3.2 Studies related to professional managers

In recent years, the intergenerational succession model involving professional managers has gradually received attention from scholars, and a great deal of research has been done on this by previous scholars. We divided studies into the following four categories according to the research themes: the dilemma of introducing professional managers, the risks of introducing professional managers, the way professional managers are introduced and the impact of professional managers on the business.

2.3.2.1 The dilemma of introducing a professional manager

The most important factor hindering the transformation of businesses from the traditional family business model to managerial businesses is the inadequacy of China's social credit system (Chu, 2001). This is because traditional credit rules have been greatly undermined with

the development of the times, and the traditional rules of interpersonal credit have been broken, significantly weakening its function as social capital; while a new social credit system based on the legal system has not yet been fully established, which together has led to a general lack of social credit. The clannish orientation of both businesses and managers has seriously weakened the level of mutual trust between them. The structure of trust in the Chinese cultural space differs from the universal trust in the West, in that it is a particularistic trust that distinguishes between the inside and the outside and shows a high level of trust in the family and its extended collaborative groups (X. C. Li, 2002).

As “outsiders”, professional managers are inevitably guarded by the original family members when they first enter the company, which increases the cost of supervision. This not only undermines the professional manager’s competency to make decisions, but also undermines his or her loyalty to the company. In addition, China’s legal system is not sound, the market for professional managers is not mature, there are loopholes in the system of family businesses, and these “cage” to limit the abuse of power is not firmly built. Checks and balances on power still rely on moral constraints on the behaviour of professional managers, which is in vain. The dilemma of introducing professional managers can be solved by drawing on the experience of the shareholding system of Shanxi’s ticket businesses (Y. Li & Liu, 2019).

2.3.2.2 Risks of introducing a professional manager

Agency problems can be broadly classified into two types: the first type of agency problem arises from the conflict of interest between managers and shareholders; the second type of agency problem arises from the conflict of interest between large and small shareholders (D. Q. Chen et al., 2013). The most serious type of agency problem is when managers aim to maximise the value of the company and minimise the cost of monitoring activities, but then impose their own preferences in the actual decision-making.

If professional managers lack ethics, and in some industries where barriers to entry are low, they may betray the business in a group, poaching the business’s technical, and social resources and talents to set up their own business, which will be the detriment of the business. Some small-scale family businesses have irregular operations in financial, and taxation and there may be some illegal acts. They also worry that professional managers may use this as a threat to seek undue benefits for themselves. For example, the professional managers of Sichuan A'er Wen Construction Co., Ltd. did not pay enough attention to the cultivation of successor entrepreneurs, and even violated regulations for personal gain, which eventually led to its bankruptcy.

2.3.2.3 Ways of introducing professional managers

Family businesses should not only introduce professional managers, but also ensure effective integration between the enterprise and the professional managers, which is the key to long-term development (Chu, 2002). There are two types of professional managers, internal succession, and external recruitment, both of which have their own advantages and disadvantages and should be considered when choosing one (L. H. Zhu, 2005). The choice of internal succession, especially when the predecessor remains on the board of directors, allows for the continuation of the predecessor's regular operations and the maintenance of a stable policy system, but may delay the adjustment of the company to the market environment; external hiring may bring temporary instability, but can bring a new perspective to the company, replenish human capital, and promote corporate reform (H. B. Zhang & Wang, 2010). The performance sensitivity of professional managers is higher than that of family chief executive officers (CEOs), and the performance sensitivity of professional CEOs decreases as family members become more involved (J. T. Chen & Huang, 2019). Family businesses can therefore structure their internal management system by introducing professional managers (Xiang, 2018).

2.3.2.4 Competence of professional managers

The competencies of professional managers have received attention from scholars from different fields. Competent senior professional managers are expected to possess cognitive attributes, organisational coordination, leadership, personality dispositions and self-regulation (S. Li et al., 2006). However, the competencies required of professional managers vary across different industry sectors. In the insurance industry, the competencies of professional managers include business skills, professional knowledge, personal attributes, leadership attributes and professionalism (H. M. Hu & Jiang, 2013). However, in the modern service industry, the competencies of professional managers include five different aspects: professional competence, administrative skills, innovation, ethics, and knowledge (Z. Y. Liu & Li, 2011). In the retail industry, the competencies of professional managers include the 10 fundamental elements of teamwork, resilience, insight, innovation, quality awareness, strategic thinking, attention to detail, the pursuit of achievement, self-improvement, and humanism (Sun, 2008).

2.3.2.5 The impact of professional managers on the business

According to previous research, the impact of professional managers on families is mainly in terms of their influence on the value of the firm. The involvement of professional managers is beneficial in increasing the value of the firm (Lavie et al., 2022). An empirical analysis of data

from listed family businesses in China concluded that a family-owned, family-run, non-family-controlled board of directors succession model and a family-owned, professional-manager-run, non-family-controlled board of directors succession model were most conducive to increasing the corporate value of family businesses in China (Y. L. Liu, 2018). Research on the professionalization of family businesses has been slow to develop in China, with most existing studies focusing on the impact of professionalization on firm performance, and many scholars' studies support the positive relationship between professionalization and firm performance in family businesses. For example, D. Q. Chen et al. (2013) found that family businesses with professional managers as CEOs had higher firm value premiums.

2.3.3 Studies related to successor entrepreneurs

2.3.3.1 Intention of successor entrepreneurs to take over

Danish academic Sen and Chinese University of Hong Kong professor Davies and Ma (2003) studied mainly over six thousand family businesses in Denmark and compiled the book *Family Business Mapping*. The family business owners surveyed all wanted their children to inherit the business, and before passing it on to their children, they want to continuously improve and maintain business excellence. The children also wanted the business to be in good operating condition when they take over business. In this case, the parents have to establish the business with good performance in order to make the children more willing to take over the family business (Mokhber et al., 2017). In other words, the essence of the intergenerational succession of the family business is to pass on the business to family members who are willing to take over (Yu et al., 2013).

Succession intentions refer to the strength of a successor's willingness to inherit the family business (Dou & Jia, 2007) and are also reflected in the propensity to motivate a high level of commitment to the family business and to pursue a career within the firm (Sharma & Irving, 2005). Commitment is a mindset that compels individuals to take action, and the commitment of the next generation to join the family business and take control is a necessary condition for successful intergenerational succession (Kandade et al., 2021).

From the perspectives of incumbents and successors, Sharma et al. (2003) summarized five factors that directly influence satisfaction with the intergenerational succession process in family businesses: successor role recognition, successor intention to take over, incumbent intention to leave the office, succession planning, and intra-family members' permission for

family involvement in the business. They also pointed out that the willingness of reliable successors to succeed has a driving effect on the development of the family business and the implementation of the succession plan.

S. Wang et al. (2020) and Xi et al. (2017) also found that children's willingness and commitment to participate in and inherit the family business is key to the successful succession of the family business, even more, important than the incumbent entrepreneur's willingness to pass on the business (S. Li et al., 2020).

However, in reality, the low willingness of children to succeed in their father is causing a succession crisis in Chinese family businesses, where the main mode of inheritance is the son's business (Yu et al., 2013). The willingness of the second generation of family businesses to succeed is not as high as that of the first generation, which is reflected in their preference for higher-return industries such as asset-light or other new industries than traditional manufacturing industries (Family Business Committee of China Private Economy Research Association, 2015).

A survey of 132 children of family businesses at the University of Washington School of Business found that the proportion of children willing to enter family businesses was low, with 66% of the study participants indicating that they were less than 50% likely to enter a family business (Stavrou, 1999). A survey of university students in Wenzhou, China, who owned family businesses showed that only 16.1% of the respondents were explicitly willing to work in the family business after graduation (Yu, 2009). These findings suggested that low succession intentions are often a common phenomenon before succeeding entrepreneurs enter the family business. However, the dominant mode of succession in family businesses is still the "son inheriting the father's business" (Yu, 2007). Therefore, the promotion of succession intentions has become a prominent issue in the intergenerational succession process of family businesses.

In recent years, domestic and international scholars have conducted studies on the factors influencing succession intentions in family businesses. This study classifies them into four categories, namely personal-related factors, family-related factors, organisation-related factors and external environment-related factors.

(1) Successor's factors

Previous studies showed that the gender of the successor has a significant impact on succession intentions, with male successors generally showing a greater willingness to succeed. Male offspring are more likely to be driven by family factors, whereas female offspring are more likely to be driven by family and personal factors (Stavrou-Costea et al., 2009). In addition, in large families, high levels of communication are more likely to lead to high

succession intentions in male offspring, while in single-child families, maintaining good governance or being an only-daughter family is more likely to drive high succession intentions in the second generation (S. Wang et al., 2020). Personal attributes of successors also influence their succession intentions, e.g., personal career aspirations are the main driver of succession intentions (W. B. Xu et al., 2021; B. Zhang, 2005). In addition, self-efficacy, independence and motivation to innovate, personal ambition, aspirations, sense of honour, self-esteem, attitude to independence, attitude to work, attitude to risk, leadership qualities and team spirit also influence the strength of succession intentions (Rastogi & Agrawal, 2010; Yu, 2009; Zellweger et al., 2011).

(2) Family-related factors

Parental expectations, parental nurturing and support, and parental pressure (McMullen & Warnick, 2015; Rastogi & Agrawal, 2010; Yu, 2009; B. Zhang, 2005) are the main reasons for successive entrepreneurs' willingness to take over. However, it has also been argued that business families with stable possession of long-term goals, consistent income and high family reputation influence their children's career choices more with positive or negative feedback from the environment than with time-consuming paternal control (Sharma & Irving, 2005). In addition, the pursuit of non-financial goals in the family business, such as "family sustainability", family altruism and sustainability preferences also positively influence the succession intentions of second-generation entrepreneurs (Parker, 2016), and the rapport and alignment of values between the two generations also contribute to high succession intentions (J. S. Lee et al., 2019). Finally, the successor entrepreneur's identification with the family business perceived paternal remuneration, and paternal preferences and preparedness for succession also have an impact on their succession intentions (W. B. Xu et al., 2021).

(3) Organisation-related factors

Corporate advantages and security have a positive effect on children's willingness to join (B. Zhang, 2005). For example, firm size and job opportunities within the firm have a positive effect on children's willingness to succeed (Nordqvist et al., 2013). There are two types of succession styles: radical succession, in which the second generation is suddenly "parachuted" into the decision-making level of the family business and assumes some decision-making power; and gradual succession, in which the second generation enters the business earlier and gradually moves up from a lower position to the decision-making level and assumes the corresponding decision-making power (S. Li et al., 2020). The different succession styles may lead to differences in the authority and willingness of individual successors (W. B. Xu et al., 2021).

Furthermore, firm performance is an important influence on entrepreneurs' willingness to succeed, with succession rates higher in lower-performing firms (J. F. Xu & Zhang, 2003). Luck and Salomo also explain the important role of firm performance in this context from the perspective of principal-agent theory: due to the inherent opaqueness of agents' behaviour, the principal must achieve a reduction in agents' deviation from their interests by monitoring the outcome of their actions, i.e., firm performance. They argue that the expected returns and the performance achieved by the firm determine the likelihood of managing director succession occurring and that a decline in performance increases the likelihood of succession occurring. Another explanation is that a change in CEO is often a ritual of scapegoating, as a change of manager can act as a positive signal to the outside world that the company's performance will improve in the future.

(4) External environment-related factors

These factors have been less studied, with market employment pressures having a positive effect on children's willingness to join (B. Zhang, 2005), and external market employment opportunities also influencing children's willingness to join family businesses (C. F. Zhu, 2015).

2.3.3.2 Successor entrepreneurial competencies

Academic research on successor competencies has focused on the study of successor competencies. Competence is an important attribute of a successor, but it is difficult to measure competency, so Chrisman et al. use the successor's education, work experience within and outside the family business, and past performance as variables of successor competency (Chrisman et al., 1998). Educational attainment provides a comprehensive picture of a person's knowledge, skills, perception of innovation, and cognitive and problem-solving abilities. Thus, the level of education of a successor will have a positive impact on the performance of a family business after it has been passed on (Morris et al., 1997), and education is a hurdle that potential successors must overcome. He also points out that businesses such as DuPont and Levi Strauss have been able to achieve the same results. Strauss believed that a good education is a signal of intelligence and leadership, and enhances skills and credibility, so they encourage young family members to attend top US universities (Kotlar & De Massis, 2013).

Posner argued that the meaning of hard work and the value of developing a sense of social responsibility should be instilled in children "at the dinner table" from a young age, and noted that outside work experience is crucial to the development of successorship skills. Hillier and McColgan (2009) also encouraged potential successors to work outside the family for a few

years, as the experience of working in other businesses is a more accurate reflection of the potential successor's abilities and allows for an objective and fair assessment of his or her suitability for future employment. In addition, this work experience provides the potential successor with the opportunity to learn new technical knowledge and other business management experience. There are few studies on succession competencies in China, but they are instructive.

In order to successfully complete the intergenerational succession, capable successors will gradually change the authority model of the company through institutional work, leading to the steady expansion of the company by moving away from the traditional and charismatic authority dominated by the founder to a new authority model dominated by the legal authority dominated by institutions (Kandade et al., 2021)

2.4 Literature summary and observation

In the fields of organisational management and human resource management research, many scholars have studied the intergenerational succession of family businesses. Most of the studies are focused on the incumbents, studying the issues of “to whom”, “what” and “how”, while some are focused on the successors, studying the issues of “what” and “how”. There is also the question of “what to succeed” and “how to succeed”, with the successors as the main body. A generalisation of the existing literature shows that:

Firstly, based on a review of the main concepts of family, family business, intergenerational succession, professional managers, and stakeholders, it can be found that there is a rich history of research on family business. However, with the changes of the times, there are also new research questions that need to emerge. Over time, China's first generation of entrepreneurs has aged and faced serious intergenerational succession problems, which have led to a growing interest in the selection of successors, the involvement of professional managers and the influence of stakeholders on the succession process.

The RBV explains the importance of professional managers in family businesses. The principal-agent theory explains the benefits and risks that professional managers may bring as important human resources. The entrepreneurial theory highlights the important influence of incumbent and successor entrepreneurs on the intergenerational succession process, and the stakeholder theory provides theoretical support for the influence of key stakeholders on the intergenerational succession process of family businesses. This study focuses on the influence of professional managers, a key role that has become increasingly important in recent years, on

the process of intergenerational succession, and attempts to explore the mechanisms of influence based on these theories, with the aim of providing a reference for the agency succession process of family businesses from the perspective of professional managers.

Secondly, the issue of intergenerational succession in family businesses and the involvement of professional managers in intergenerational succession are both important topics in the study of family businesses. Most of the previous studies have focused on the dilemma of introducing professional managers, the risk of introducing them, the way of introducing them and the impact of introducing them on the enterprise, ignoring the unique role of professional managers at certain special stages, which is a research deficiency. Most studies on intergenerational succession have focused on the evaluation of succession success, factors affecting succession, intergenerational conflict and what changes occur in the firm after succession, ignoring the impact of professional managers on the process, which is another shortcoming of the study. This study combines the two and explores the issue of the mechanisms of professional managerial influence in the context of intergenerational succession, contributing to complementary knowledge in these two research areas.

Thirdly, current studies on intergenerational succession in China have mostly focused on intergenerational conflict in the traditional model of “children inheriting from their fathers” and on the influence of family members, such as the willingness of the older generation of entrepreneurs to hand over the power, the intention and competence of the new generation of entrepreneurs to take over and even the influence of other stakeholders.

However, there is less research on what role professional managers, as key players in family businesses, play in intergenerational succession. This study can complement the studies on intergenerational succession in Chinese family businesses to a certain extent.

Fourthly, the findings of previous studies on professional managers have mostly focused on the role of professional managers on the economic value of the firm, neglecting other values in the process of intergenerational succession, such as the impact on the competency and willingness of successor entrepreneurs, the impact on employees, and the reconciliation of the relationship between two generations of entrepreneurs. This study explores the mechanisms of professional managers’ influence on the intergenerational succession of family businesses based on the dual perspectives of both the successor entrepreneur and the organization. This study can fill this research gap.

Chapter 3: Conceptual Model and Hypotheses

The literature review of relevant theories in the previous chapter and the systematic review of related studies provide the basis for the research content of this chapter. This chapter applies the grounded theory to explore the mechanism of professional managers' influence on family business succession, constructs a conceptual model for this study and clearly defines the relevant variables in terms of concept and dimension. This chapter addresses the following two key questions: (1) What aspects of professional managers influence the intergenerational succession of family businesses? (2) How does the influence of professional managers on intergenerational family business succession materialise?

3.1 Research methods and data collection for model construction

3.1.1 Model construction methods

Sociologists Glaser and Strauss first introduced Grounded Theory in 1967 as an exploratory research technique, a pragmatic approach to explaining the processes of meaning construction and concept used by social actors in real situations. The grounded theory proposes focusing on everyday events in real situations and on what is happening in reality so it can truly reflect the nature of behaviour in social situations (Gephart Jr, 2004). This approach allows people to explore specific areas that are limited or not yet understood, construct realistic contexts by observing the cognitive, behavioural and interactive processes of groups in real-life situations, and build new interpretive theories based on existing knowledge.

A particularly important aspect of the application of the grounded theory approach is the analysis of the collected data through coding at each level. The first step is to open-code the data by transcribing, coding and abstracting the concepts based on the natural state of the collected textual data. Then re-registering and coding the abstract concepts obtained from open coding. Attention should be paid that research should temporarily abandon the different views held by the existing academic community during the open-coding process. The second step is to axile-code the data by observing and constructing the relationships between the concepts embodied in the textual data. The relationships between concepts embodied in the data include time series, contextual, causal, semantic, similarity, difference, function, reciprocity, structure,

strategy, category, and process; finally, the open coding of the data is the analysis and determination of the core category attributes of the concepts. Through systematic analysis, the researcher can finally determine the categories and attributes of the concepts abstracted from the data, i.e., the “core categories” (H. T. Gao, 2018).

In this study, a grounded theory research approach was chosen to set up the conceptual model. The transcriptions from in-depth interviews with incumbent and successor entrepreneurs of family businesses were analysed through open coding, spindle coding and selective coding to ensure that theoretical saturation was achieved, and a conceptual model of the influence mechanism of professional managers on the intergenerational succession of family businesses was constructed. The choice of a grounded theory approach to the construction of the research model is based on a thorough consideration of the characteristics of this research question. Firstly, the literature review reveals that studies on the relationship between professional managers and intergenerational succession of family businesses have been recognised by many domestic and international scholars, but few studies have been conducted on its influence mechanism. Secondly, there is still controversy among academics as to which aspects of professional managers affect intergenerational succession. Therefore, it is appropriate for this study to apply a grounded theory approach to investigate the mechanism of professional managers’ influence on the intergenerational succession of family businesses and to build a model of the mechanism of professional managers’ influence on the intergenerational succession of family businesses.

3.1.2 Sources of information for rooted research

The quality and reliability of studies start with the data. The depth and scope of data are important, and a scientific study is based on rich, substantial, and interrelated data. In addition to the usefulness of the data in developing core categories, two other criteria are the accuracy and sufficiency of the data in describing empirical events (Yu, 2015). Regardless of the method used, it is important to collect sufficient data that fits the subject people are studying and to describe as complete a picture of the issue as possible. Some grounded theory scholars argued against a focus on the quantity of data. Instead, they think small studies with limited data are also justified (Glaser, 2001). They argued that small samples and limited data do not pose a problem because the purpose of the grounded theory approach is to form conceptual categories and the key is to explain the properties of the categories and the relationships between them. The classical grounded theory emphasises the analysis of actions and processes. The grounded

theory approach helps us to maintain a focus on action and process analysis when data collection is used to form the emerging analysis, where both data collection and analysis are carried out.

In the course of this study, we collected the necessary information through three main channels: literature, media reports and in-depth interviews with entrepreneurs and children of family businesses.

Firstly, the author conducted a literature search on academic thesis search sites such as “China Knowledge Network”, “Google Scholar” and “Baidu Scholar” using “professional manager” and “intergenerational succession” as terms. Through sorting out the relevant literature retrieved, the author initially formed an understanding of the relationship between professional managers and intergenerational succession.

Secondly, the author collected and analysed information from various media reports and video interviews on the intergenerational succession of family businesses to develop a sense of the issue.

Finally, the author’s social network was used to conduct in-depth semi-structured interviews with a number of current and successor entrepreneurs in family businesses.

3.1.3 Case sample selection and data collection

Studies have pointed out that grounded theory is mainly based on theoretical sampling, specifically the purposive selection of samples for proposing a concept or constructing a theory (X. M. Chen, 2000). Therefore, the samples used in the grounded theory approach are not the same as those used in other approaches, as the target sample is not a statistically representative group, but a typical representative group that is closely related to the purpose of the study that can reflect a particular phenomenon (N. Wang, 2002).

Before conducting the interviews, the author first targeted questions such as “the manifestation of successful intergenerational succession in family businesses”, “the role played by professional managers” and “what aspects of professional managers play a role”. The questions were thoroughly shared, rehearsed and refined by the research team as the interview outline. Using this interview outline, the author took the lead in the pre-test of a family business that is being passed down from generation to generation in Dazhou City, Sichuan Province. The family business is Yi Li Tempered Glass. The final interview outline (see Appendix A) was developed after modifying some wordings, explanations, and grammar of the former outline.

All interviews were conducted over a period of one month until the data collected from the

interviews reached theoretical saturation, i.e., when the new cases collected no longer generated new insights into the existing data, i.e., no new concepts, no new categories emerged, and the grounded theory was “saturated”. The last five interviews yielded essentially no new information, indicating that the data had reached a sufficient level of saturation. In the end, we interviewed a total of 15 respondents from 10 businesses, and we randomly selected two-thirds of the interviews (10) for the category and scale construction (7 businesses, 5 incumbent entrepreneurs, 3 successor entrepreneurs and 2 professional managers), while the other one-third of the interviews (5) were reserved for saturation testing.

All entrepreneurs who participated in our interviews are informed in advance of the general topic of the interview. When meeting with the interviewees before the interview, we provided a thesis version of the interview outline and asked for their consent. Most interviews were conducted in the company’s office. Interviews usually lasted between half to one hour. During the interviews, the author recorded the entire interview process with the consent of the interviewees. After the interviews, these audio records were transcribed into word documents and archived in a separated document by the research assistant. During the interviews with the entrepreneurs, we also targeted interviews with the heads of the industry associations to obtain relevant information from another perspective. Finally, the information obtained was supplemented and corroborated by media reports. The following are some of the interview transcripts compiled and presented as examples. Examples of interview transcripts of interviewees, are as follows.

Question 1: How do you think you can judge the success of a family business succession?

A: I think that the success of the family business succession is different from other businesses, not only depends on the profit, certainly still need to see whether the two generations are satisfied, and some relatives ah, all must be satisfied. Of course, in the eyes of the shareholders, it is considered successful only if it is profitable.

Question 2: Do you think that the involvement of professional managers can contribute to the success of a company’s legacy?

A: That would definitely be a boost. Inviting people from outside has a very strong influence, both directly and indirectly.

Question 3: How do you think professional managers influence business succession?

A: I feel that all aspects of succession affect the success of a business succession. On the one hand, I think professional managers are able to train the successor of a business by example. For example, my son has very good management skills and strong overall qualities, but he works in the government and is not willing to take over. My niece, who works in finance

department of the company, is also one of the candidates for succession. She is an undergraduate with strong business skills, but her personality, and the tone of her conversation is very pushy and impatient. (Like) my nephew's ability when he does business, including the tone of voice, the attitude, are very important. Professional managers teach their successors by example. Professional managers have an influence on all aspects of their successors, the core of which is their grasp of the industry as a whole. Therefore, the most important thing is to help the successor to grasp the general direction of policy and society, and to increase the unique social experience. (This includes) his tone of voice and attitude are all important. He faces a variety of people, and (his) negotiation methods are not uniform. If the successor follows him (the professional manager) for a long time, the successor must be influenced positively. In addition to this, the more capable the professional manager is in his business, the more confidence he will have in the successor entrepreneur, the more he will help him and the more willing he will be to take over. The more the professional manager teaches him and takes him on, the more he grows through failure and experience. In addition to this, the resources brought by the professional manager will also expand the social circle of the successor entrepreneur.

On the other hand, the professional manager's competence to remove difficulties from the business and to have foresight makes the business profitable. This kind of professional manager can cultivate people who are certainly very competent in all aspects. Even if it is the way he conducts himself, he will not only influence the successor entrepreneur, but also the whole company's ethos. He will develop a good ethos. The personality of a professional manager can also influence the people around him.

Question 4: Do some objective external conditions affect the process of succession?

A: Government support, industry support and community support all influence the process of business succession.

3.1.4 Case company characteristics

After collating and screening the interview data of different entrepreneurs and their related personnel, we identified six representative businesses as the question bank for the scale design (see Table 3.1), which involved different industries such as manufacturing, agriculture, and real estate. In terms of enterprise size, one enterprise had a registered capital of between RMB 100 thousand and RMB 1 million; one enterprise had a registered capital of RMB 1 million to RMB 5 million, and four businesses had a registered capital of more than RMB 5 million. In terms of the succession stage of the sample, the prospective successors of one enterprise did not

participate in the business operation, for reasons of starting a business outside the home, lack of interest in taking over the business, and poor relationship between the two generations and the corporate system. The prospective successors of one enterprise were still exercising in middle or senior leadership positions, participating in the operation and medium-term decision-making, and needing to consult with the founder before implementing major decisions. A prospective successor was trained in a new enterprise. The remaining three businesses have already completed the handover, and the first generation is not involved in the management and major decisions of the company, but is acting as a consultant. The basic profile of the in-depth interviewed businesses is as follows, with the first interview as the case of the pre-test and the remaining 10 interviews used for analysis (businesses used as saturation tests are not listed).

Table 3.1 Basic information about the interviewees

No.	Company name	Business Scope	Registered Capital (RMB)	Name	Identity	Interview time	Corporate Heritage Progress
1	Dazhou Eili Tempered Glass Co.	Processing, sales and installation of toughened glass, laminated glass and insulating glass.	RMB million	1 XIA Liangquan	Entrepreneurs in office	20210831 20:10-20:55	The nephew of the incumbent entrepreneur has been groomed as a successor and has now been with the company for over ten years and has not yet started the handover.
2	Dazhu County Starfire Poultry Industry Co.	Mainly engaged in egg breeding and sales; organic fertilizer production and sales; eggs, livestock and poultry equipment, feed, veterinary chemicals, Chinese medicinal preparations, topical insecticides, disinfectants and Chinese herbs sales.	RMB million	10 ZHANG Yiyun	Entrepreneurs in office	20210915 09:47-10:12	The successor is already in the business and has not yet started the handover.
3	Sichuan Mulan Gemei Furniture Co.	The scope of business includes general items: sale of furniture; furniture installation and repair services; sale of furniture spare parts; sale of building materials; sale of doors and windows,	RMB million	5 SHI Mulan	Entrepreneurs in office	20210915 17:15-17:42	Handover has not yet started.
4	Dazhu County Shenquan Food Technology Co.	The scope of business includes general items: technical services, technology development, technical consultation, technical exchange, technology transfer, technology promotion. Licensed items: food production; food business; food internet sales; food import and export.	RMB million	1 DENG Huashen	Successor entrepreneurs	20210924 21:30-22:00	Two generations of entrepreneurs are managing the business together and the succession between incumbent and successor entrepreneurs has largely been completed.
5	Sichuan Baoyuan Property Development	The business scope includes real estate development and sales; interior and exterior decoration design; market construction and development;	RMB million	30 CHEN Changbin	Professional managers	20210924 16:00-16:30	The succession of incumbent and successor entrepreneurs has been completed.

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	Co.	hardware and electricity, chemical materials (excluding dangerous chemicals), plumbing equipment, lamps and lanterns, construction materials sales.						
6	Dazhu Caichengfu Agricultural Development Co.	Planting and sales of agricultural products, agricultural by-products, Chinese herbs, fruits and vegetables; seedling cultivation and sales; food processing and sales; tourism development.	RMB million	10	ZHANG Shenglin	Professional managers	20211104 20:30-21:00	The succession of incumbent and successor entrepreneurs has largely been completed.
7	Dazhu Caichengfu Agricultural Development Co.	Ibid	RMB million	10	LI Xingcai	Entrepreneurs in office	20211107 13:00-14:00	The succession of incumbent and successor entrepreneurs has largely been completed.
8	Dazhu Caichengfu Agricultural Development Co.	Ibid	RMB million	10	LI Biao	Successor entrepreneurs	20211105 8:30-9:00	The succession of incumbent and successor entrepreneurs has largely been completed.
9	Sichuan Guangyang Ecological Agriculture and Forestry Development Co.	Vegetable and fruit cultivation and sales; grass cultivation and mowing; leisure agriculture tourism development; landscaping works; ecological fertilizer, arts and crafts, flowers sales; agriculture, forestry, animal husbandry and fishery technology promotion services; agricultural planting and picking sightseeing, farming experience activities; loading and unloading.	RMB million	10	LV Yang	Successor entrepreneurs	20211107 11:00 - 11:30	Two generations of entrepreneurs are managing the business together and are in the process of handing over the reins.
10	Sichuan Guangyang Ecological	Ibid	RMB million	10	LV Qingwu	Entrepreneurs in office	20211107 11:30-12:00	Two generations of entrepreneurs are managing the business together and are

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	Agriculture and Forestry Development Co.						in the process of handing over the reins.
11	Sichuan Xihan Electronic Technology Co.	Production and sale of other wines, other processed grain products, beverages, cakes, soya bean products, general motor freight, sale of pre-packaged food, import and export of the enterprise's mash and dumpling powder products and import of raw and auxiliary materials for machinery and equipment parts required by the enterprise, wholesale and retail of hardware and electrical appliances, department stores, daily necessities, grain cultivation and sales.	RMB 100 million	TANG Xianghua	Entrepreneurs in office	20211105 18:00-19:00	Separate businesses have been set up for the training of successor entrepreneurs.

3.2 Category refinement

According to the grounded theory, theoretical coding consists of at least four main steps. First, an initial (open-ended) phase in which each word, sentence or fragment of data is initially coded. Second, focused coding by discovering and forming the most salient categories in a large quantity of data. Third, a selective phase in which the most important or frequently occurring categories are used to classify, synthesise and organise the majority of the data into axes. Finally, the theorising phase deepens the coding of the various categories formed by the focus, resulting in integrated theoretical coding. Before coding the data, the author invited two people with a doctoral degree and three people with master's degrees in this field of this study to form a coding group and to collaborate in content validity testing. We randomly selected data from two-thirds of the interviewees (10) for categorisation, leaving one-third of the interview transcripts (5) intended to be tested for theoretical saturation after coding was completed.

The coding team worked in two steps. First, each of the five team members was given two copies of the interview transcript. After informing the team members of the concepts related to intergenerational family business succession and professional managers, they each coded independently. Then, they reported their coded data to the team, and the coding team scored each piece of data after discussion and voting. The coding group rated the suitability of the corresponding initial concept, category, and master category according to the description of each piece of data. As for scoring, one means the concept is representative; two for reserved opinion; 3 for non-representative. A majority opinion was selected to decide whether to retain or reject the initial concept and the original statement, and so on until a majority opinion was obtained.

3.2.1 Open coding

Open coding is the first step in the processing of raw data. It is the open analysis of the raw qualitative data collected during the interviews and the conceptualisation of the interview data. In general, open coding is the continuous coding and iterative study of raw data. Specifically, the coding begins by scattering the raw data, analysing it word by word, assigning initial concepts and logging them, and then clustering the initial concepts for analysis and conceptualisation.

This study used NVivo12 software to code the textual material of the in-depth interviews with 10 interviewees. First, more than 200 original statements were extracted from the

transcribed texts of the original in-depth interviews, and initial concepts were formed based on the core content expressed in the original statements. Then, when conducting concept scoping, the similarities and differences among concepts were compared. initial concepts with repetition frequency less than three times and individual inconsistencies were eliminated. Only initial concepts with three or more occurrences and good consistency were retained, totaling 55 (A1-A55). Finally, based on the content consistency of the initial concepts, the initial concepts with similar content were merged, and 30 categories (B1-B30) were grouped, as shown in Table 3.2.

Table 3.2 Concepts and scope of open code formation

No.	Example of the original statement	Conceptualisation	Category
A1	..... To have a sustainable mindset, the concept leads the way to a sustainable and profitable business model	Sustained profitability	B1 Sustainable business
A2	..... The first thing to look at is the business and whether he has a fairly long survival period	Sustainable survival	
A3	..... to optimize the business concept of the previous generation	Optimisation of the business concept	
	..... to evolve and improve		
A 4	..... supplier and customer relationships for businesses to maintain	Upstream and downstream relationships	
A 5	..... after taking over the business to keep up with the times	Innovation	
A 6	..... definitely still refer to two generations if they are satisfied	Satisfaction of two generations	B2 Satisfaction of
A 7	..... and some relatives ah, all to be satisfied	Satisfied relatives	two generations
A 8	..... I think the most important thing is still to be recognized by the staff to do so, the recognition of the staff we still attach great importance to	Staff Recognition	B3 Stakeholder recognition
	..... The most important thing about the handover is the acceptance and conviction of the staff, this is very important		
A 9	..... In fact, sometimes, the success of corporate heritage, but also consider the government, the relevant authorities to recognize or not, this is very important	Government Recognition	
A 10	..... our business is in the industry to survive well, we need the industry to our recognition, such as industry associations and so on	Industry recognition	
A 11	..... small businesses like ours, very important to the Chamber of Commerce, to say that the success of the heritage, need to be recognized by the Chamber of Commerce to do so	Recognition of chamber of commerce	
A 12	Reviews of users	Customer approval	
A 13	..... Overall, it's the young people's own will that counts	Willingness to take over	B4 Willingness of
A	..... My son has great management skills and is	Reluctance to take	successor

14	well-rounded, but he works in government and won't come to take over, so that won't work either	over	entrepreneurs to take over
A	..... like I said that nephew, he goes to clients to ask for	Customer	B5
15	money, talks about them, has different ways of communicating with different people	Relations	Business competencies
A	..... including investment ah, I am sometimes afraid to	Investment vision	for successor entrepreneurs
16	invest, he dares and can succeed		
A	..... sometimes that project he gets it right	Project Capabilities	
17			
A	Can manage this business well	Managing a business	B6
18			Successor entrepreneurs'
A	..... can control the people below	Managing staff	management skills
19			
A	..... Can you grasp the general direction of policy	Grasp the policy direction	B7
20			Strategic competencies
A	..... unique social experience, grasp the general direction of society	Grasping the direction of society	for successor entrepreneurs
21			
A	..... most centrally affects his overall grasp of the industry in terms of	Grasp the direction of the industry	
22			
A	..... even some way of dealing with people, including the tone of voice ah, attitude ah, he is very important	Communication habits	B8
23			Social skills for successor entrepreneurs
A	..... that niece of mine, she also works in the company as finance, is also one of the candidates for succession, she is a university undergraduate, business ability is very strong, but her personality, the tone of the conversation is very fast, no patience, this also does not work	Personality traits	
24			
A	..... sometimes two generations it ideological views are not the same	Old ideas	B9
25			Two generations with conflicting ideological views
A	..... They are young, more ideas, more active minds	New ideas	
26			
A	..... we older generation is just a bit more conservative and stable	Conservative style	B10
27			Clash of behavioural styles between two generations
A	..... A new generation of entrepreneurs dares to try many things and take risks	Dare to try	
28			
A	..... staff development or	There are good developments	B11
29			Employees recognise the value of the company
A	..... Staff recognition is paramount	Staff Recognition	
30			
A	..... believe it is the right choice to join this company	The right choice	B12
31			Employee loyalty to the company
A	..... The most important thing is that the staff can accept the situation	Focus on development	B13
32			Employees are concerned

			about the development of the company
A 33	..... but if it's been in the business for a few years, he's not allowed to listen to professional managers	Willing to listen	B14 Professional managers are respected
A 34	..... Do second generation entrepreneurs trust professional managers	Trust	B15 Professional managers are trusted
A 35	..... but it depends on his individual ability	Personal competence	B16 Business competence for professional managers
A 36	..... Professional managers must first be professional enough	Professional competence	B17 Management skills for professional managers
A 37	..... He deals with a variety of sales people and his approach to negotiation is not one size fits all	Customer Relations	B18 Strategic competencies for professional managers
A 38	..... first of all a he himself is a certain level of management	Management level	B19 Social skills for professional managers
A 39	..... The ability of the professional manager has enabled this business to remove many difficulties and also to have the foresight to make that business profitable	Anticipatory	B20 Government Resources for Professional Managers
A 40	..... The personality of professional managers can also influence those around them	Personality traits	B21 Social relations for professional managers
A 41	..... including his tone of voice and attitude are important	Communication habits	B22 Staff Support
A 42	..... turns out to be the party secretary for the government	Government relations	B23 Shareholder Support
A 43	..... he has certain industry acquaintances	Industry acquaintances	B24 Executive Support
A 44	..... staff can also influence the handover process	Staff	B25 Government Support
A 45	..... is now all shareholding and shareholders will certainly influence	Shareholder	Government Support
A 46	Some of the managers within	Executives	
A 47	..... Government promotion has an absolute contribution to the success of business legacy	Government driven	
A	..... I think policy support and government support	Government	

48	will definitely affect the handover of businesses. The government will support the enterprise if it makes a big social contribution and turns a blind eye to many things and give it some privileges	support	
A 49	..... If the social contribution is small, the government will intervene and put certain obstacles in the way	Government intervention	
A 50	..... Government support, industry support and chamber of commerce support can all influence the process of business succession	Industry support	B26 Industry Support
A 51	..... Government support, industry support and chamber of commerce support all influence the process of business succession.	Support of chamber of commerce	B27 Chamber of Commerce Support
A 52	..... including partners, also has a big boost	Partner support	B28 Partner Support
A 53	..... Letting your children go out on their own has its advantages	Out-of-company experience	B29 Establishment of branch handover
A 54	..... my nephew has been working out inside the business for years	In-company experience	B30 Intra-company shift handover
A 55	..... He has been helping to manage the business	Internal positions	

3.2.2 Axial coding

The main purpose of the main axis coding is to achieve further coding analysis of the data based on the results of the open coding. The main purpose is to achieve a hierarchy of primary and secondary categories and to discover logical connections between the categories. In this study, the qualitative and hierarchical nature of the categories, as well as the interrelationships and possible logical relationships between the levels, were analysed. Nine main categories were obtained, including succession success, successor’s competence, intergenerational conflict, organisational commitment, professional managerial competence, government support, internal stakeholder support, external stakeholder support, and forms of succession. The connotations represented by each master category and their corresponding categories are shown in Table 3.3.

Table 3.3 Main categories and corresponding categories formed by the main axial coding.

Main Category	Corresponding Categories	Category Meaning
The success of intergenerational succession	B1 Sustainable operations	The ability to run a sustainable and profitable business after inheritance.
	B2 Satisfaction of two generations	Both the incumbent and the successor entrepreneurs are satisfied with the whole process of intergenerational succession after the business has been passed on.
	B3 Stakeholder recognition	The government, industry, chambers of commerce, employees and customers are all satisfied with the results of the intergenerational legacy after the business has been passed on.

Successor Entrepreneur Competence	B4 Willingness of successor to take over	The willingness of the successor entrepreneur to take over the business.
	B5 Business competencies of successor	Competence performance of the successor entrepreneur in terms of projects, investments, clients,
	B6 Successor's management competencies	The performance of the successor entrepreneur in terms of his ability to manage the business and his employees.
	B7 Strategic competencies of successor	The ability of the successor entrepreneur to demonstrate competence in grasping the general direction of policy, industry and society.
Intergenerational conflict	B8 Social skills of successor	Performance of the successor entrepreneur in terms of communication skills.
	B9 Conflicting ideological views of two generations	Differences in the ideological perspectives of incumbent and successor entrepreneurs.
Organisational Commitment	B10 Conflicting styles of behaviour between generations	Differences in behavioural styles between incumbent and successor entrepreneurs.
	B11 Employee's recognition of the firm value	Employees of the company identify with the values of the company.
	B12 Employee's loyalty to the company	Employees of businesses are reluctant to change jobs.
Professional Managerial Competence	B13 Employee's concerns about business development	The employees of the company are concerned about the intergenerational legacy of the business.
	B14 Respect for professional managers	Respect for professional managers by incumbent and successor entrepreneurs as well as employees.
	B15 Trust for professional managers	Incumbent and successor entrepreneurs as well as employees trust professional managers.
	B16 Business competence for professional managers	Competence performance of professional managers in terms of projects, investments, clients,
	B17 Management skills of professional managers	Performance of professional managers in terms of their ability to manage businesses and employees.
	B18 Strategic competencies for professional managers	Performance of professional managers in terms of their ability to grasp the general direction of policy, industry and society.
	B19 Social skills of professional managers	The professional manager's ability to demonstrate competence in communication.
	B20 Government resources of professional managers	The network of social contacts on the government side that professional managers have.
Internal Stakeholder Support	B21 Social relations of professional managers	The social network that professional managers have in terms of industry.
	B22 Staff support	Employees within the company share support for intergenerational succession.
	B23 Shareholder support	Support for intergenerational succession from shareholders within the company.
	B24 Executive support	In-house executive support for intergenerational succession.
Government Support External Stakeholder Support	B25 Government support	Government and authority support for intergenerational business succession.
	B26 Industry support	Industry associations support intergenerational business succession.
	B27 Support of chamber of commerce	Support for intergenerational business succession from the relevant Chamber of Commerce.
	B28 Partner support	Important partners support the intergenerational

Shift handover format	B29 Establishment of branch handover	B30 Intra-company shift handover	<p>succession of the business.</p> <p>The handover is completed by the establishment of a branch by the successor entrepreneur.</p> <p>The handover is completed in the form of a direct succession from the successor entrepreneur to the original company.</p>
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3.2.3 Selective coding

The selective coding further integrates the coded content based on the axial coding and deals with the relationships between the categories. In this step, the “core categories” are extracted from the obtained main categories and the links between the core categories and the main and secondary categories are analysed using the “story line” as a typical relational structure, thus building a new substantive theoretical framework.

This study identified the core category of “professional managers’ influence mechanisms in family business succession”. The “story line” around the core category can be summarised as: succession success, successor’s competence, professional manager’s competence, intergenerational conflict, organizational commitment and government support. In addition, the three main categories of internal stakeholder support, external stakeholder support and form of succession do not influence the story line, but act as control variables.

Based on the interviews, we can put together a story line of the impact of professional managers on intergenerational succession outcomes. Firstly, the impact of professional managers on the success of intergenerational succession is indirect. This is specified in the interviews e.g., “..... professional managers can only indirectly contribute to the succession of the family business and can only play a supporting role, not a decisive one”.

Moreover, the mediating variables include not only factors on the part of the successor entrepreneur, but also on the part of the organisation. Concretely reflected in the interviews are e.g. “..... professional managers are the ancient chancellors, the chancellor of the emperor has to assist his son””, “..... the professional manager teaches the successor entrepreneur by example””, “..... the successor entrepreneur follows him for a long time, certainly influenced””, “..... professional managers teach him, take him on, and grow through failures and experience... ..””, “..... professional managers are most helpful for this blanket type of second-generation entrepreneurs””, “.....the business and management skills of second-generation entrepreneurs have a very direct impact on business succession””, and “... ..professional managers can reconcile the contradictions between one and two generations of entrepreneurs””.

Finally, there are important moderating variables that should not be overlooked, including

the authority of professional managers and government support. This was reflected in the interviews in specific terms such as “..... whether the second generation of entrepreneurs trust professional managers is an important issue”, “..... he doesn’t listen to professional managers that doesn’t work either”, “..... policy support and government support will definitely affect the handover of the business”, “..... Even if the successor entrepreneur is more capable, the inheritance process will be difficult if the government does not support”, and “..... government support is the icing on the cake”.

Based on this, this study outlines the typical relationship structure of the categories as follows: a). professional manager competency has a direct influence on inheritance process factors; b). succession process factors have a direct influence on intergenerational succession success; c). succession process factors play a mediating role in the influence of professional manager competency on intergenerational succession success; d). government support plays a moderating role in the influence of inheritance process factors on intergenerational succession.

The typical relationship structure of specific categories is shown in Table 3.4.

Table 3.4 Typical relational structure of category

Typical relationship structure	The connotation of relationship structure
Professional manager’s competence → Succession process factors	Competence of professional managers has a direct impact on succession process factors
Succession process factors → the success of intergenerational succession	Process factors have a direct impact on the success of intergenerational succession
Professional manager’s competence → Succession process factors → the success of intergenerational succession	The role of succession process factors in mediating the impact of professional managerial competencies on the success of intergenerational succession
Government support ↓	Government support moderates the impacts of succession process factors on the success of intergenerational succession
Succession process factors → the success of intergenerational succession	

3.2.4 Theoretical saturation test

Jones (2009) argued that saturation of grounded theory is not the same as seeing the same events or stories repeated, although many qualitative researchers confuse saturation with the repetition of described events, actions and/or statements. Glaser (2001) provided a more complex insight into this, in that theory saturation is not the repetition of the same patterns over and over again. This brings us to the term “conceptual density”. Once we have conceptualised an event, conceptual density constitutes the main content of a theory of rootedness with theoretical integrity, and no new categories emerge.

The coding team also tested the remaining one-third (five interviews) of the interview data

for theoretical saturation. The results of this test confirmed that the conceptual density of the main categories in the current model had reached saturation, with no new main categories emerging and no significant new associations being found. Therefore, the coding team judged that the model of “professional manager-family business intergenerational succession impact” had been theoretically saturated.

3.3 Conceptual model and related concepts

3.3.1 Conceptual model

Based on the “story line” constructed by selective coding, this study constructed a new conceptual model about the mechanism of professional managerial influence on the success of intergenerational succession. This is shown in Figure 3.1.

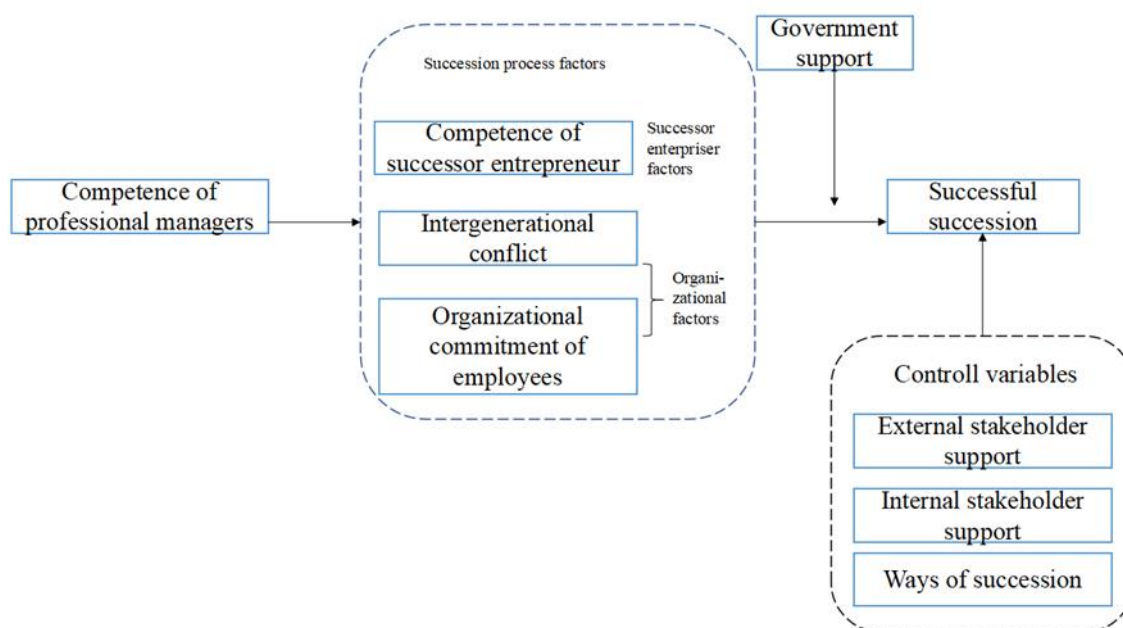


Figure 3.1 Conceptual model of the mechanism by which professional managers influence the success of intergenerational succession

As can be seen from Figure 3.1, this study proposed that in the context of intergenerational succession in family businesses, the involvement of professional managers has an impact on the outcome of the succession. The succession process factor includes both successor entrepreneur factor and organisation factor, where organization factor includes intergenerational conflict and organisational commitment.

Based on the above analysis, this study found that professional managers have an indirect impact on the success of intergenerational succession. As for its relationship, the succession

process factor plays a mediating role. Government support plays a moderating role in the impacts of process factors on the success of intergenerational succession. In addition, the three core categories, external stakeholder support, internal stakeholder support, and form of succession, can be used as control variables in the model.

3.3.2 Explanation of model-related concepts

3.3.2.1 Successful intergenerational succession

This study focuses on how the involvement of professional managers affects the intergenerational succession. After collating and analysing the interview transcripts of 15 interviewees and taking into account the existing relevant literature, this study concluded that intergenerational succession refers to the whole process of passing on ownership and part of management rights from the incumbent entrepreneur to the successor entrepreneur in the process of the family business succession, with the incumbent and successor entrepreneurs as the main subjects.

Through the analysis of the interview transcripts, this study argued that the success of intergenerational succession should include stakeholder recognition in addition to sustainable operations and two-generation satisfaction as mentioned in previous studies (Yu, 2013). Specific examples mentioned in the interviews were “..... the most important thing about the handover is the recognition and conviction of the employees, this is very important", “..... and some relatives, ah, should be satisfied", “..... business succession success needs to consider social evaluation, generally peers and counterparts, relevant authorities, user’s evaluation", “..... The first thing to look at is the business, whether he has a fairly long period of survival".

Based on this, this thesis pointed out that successful intergenerational succession is defined as a family business that is sustainable after the succession of generations and that the process of succession is satisfactory to both generations and recognised by the stakeholders. Through interviews, the study summarized that the success of intergenerational succession can be measured in terms of the ability of the business to operate sustainably and profitably after the succession, the satisfaction of both the incumbent and successor entrepreneurs with the entire process of intergenerational succession, and the satisfaction of the government, industry, chambers of commerce, employees, and clients with the outcome of intergenerational succession after the succession.

3.3.2.2 Professional manager's competency

Based on the analysis of interview data, the current situation of professional managerial involvement in family businesses and the results of previous studies, this study summarized that the competency of professional managers consists of three dimensions, which are personal competence, social capital, and authority in the family business.

Personal competencies include not only job-related business, management, and strategic competencies, but also social competencies related to one's personality. Some examples were mentioned in the interviews, like "..... professional managers must be professional first", "... ..the professional manager's ability to remove a lot of difficulties from this business", "..... is also able to have foresight", "..... made that business profitable", "..... some ways of dealing with people", "..... professional manager's personality", "..... his tone of voice, his attitude are important", "..... he is dealing with a variety of salespeople and his approach to negotiation is not uniform", "..... he is a certain level of management in his own right".

Based on this, this thesis pointed out that the personal competencies of professional managers refer to a combination of professional managers' business, management, strategic and social competencies. Through interviews, this study summarized that the personal competencies of professional managers can be measured in terms of their competency and performance in projects, investments and clients, their competence to manage the company and its employees, their competence to grasp the general direction of policy, industry and society, and their communication capacity.

In addition to competency, social capital is also a manifestation of professional managerial competency. Interviewees repeatedly mentioned that social capital has a significant impact on intergenerational succession. Combining the interview results and previous studies, this study suggested that the important social capital of professional managers includes not only their own social network connections, but also some government resources. Specific examples mentioned in the interviews are "..... professional managers then widen the social circle of successor entrepreneurs", "..... our professional manager used to work in a government department", "..... he has a quite good relationship with government officials", "..... he himself has a lot of resources in the industry", "..... the resources of a professional manager can bring a lot of business to the company", "..... manager's friends are also in the industry for many years", "..... manager brings in his own circle to bring the business back to life".

Based on this, this study identified that the social capital of professional managers refers to the combination of government resources and industry-related social relationships with professional managers. Through interviews, the study summarized that the social capital of professional managers can be measured in terms of both the government-related social network and the industry-related social network that professional managers have.

Finally, the authority of professional managers is also a manifestation of competency. Previous studies on intergenerational succession have highlighted the significant impacts of the authority of incumbent and successor entrepreneurs on the success of intergenerational succession (R. C. Li, 2021; W. B. Xu et al., 2021). However, the authority of professional managers has long been overlooked.

This study found through interviews that although the authority of professional managers does not directly affect the outcome of intergenerational succession, it has an important role in driving the impacts of professional managers' competence on the succession process, or it is fair to say a moderating effect. Through interviews and previous studies on authority, this thesis proposed that the authority of professional managers includes not only the respect but also the trust that members of the company have for them. Specific examples mentioned in the interviews are "..... it also depends on whether the second generation entrepreneur listens to him or not", "..... If it is a successor with rare experience, he is more likely to listen to the professional manager", "... ..what the professional manager says they father and son are willing to listen to", "..... the recognition and conviction of the staff.....", "..... whether the second generation of entrepreneurs trust professional managers is an important issue".

Based on this, this thesis identified that professional managerial authority refers to the respect and trust that incumbent entrepreneurs, successor entrepreneurs and other members of the company have for professional managers. Through interviews, the study pointed out that professional manager's authority can be measured in terms of the respect and trust that incumbent and successor entrepreneurs and employees have for their professional managers.

3.3.2.3 Successor entrepreneurial competencies

The competencies of a successor entrepreneur have two dimensions: personal competence and willingness to succeed, where personal competence refers to work-related business competence, management competence, strategic competence and social competence related to personal character. Specific examples mentioned in the interviews are "..... the most important thing for family business succession is the development of talent", "..... she is a university undergraduate with strong business skills", "..... my son has strong management

skills”, “..... has strong general qualities”, “..... if you can grasp the general direction of policy”, “..... general direction of the society”, “..... his grasp of the overall industry in terms of”, “..... unique social experience”, “... .. figure out the experience from failure and grow”, “..... like that nephew I mentioned, his ability, including the tone of voice ah, attitude ah when doing business”, “..... her personality, the tone of conversation is very urgent, no patience”.

Based on this, this thesis pointed out that the personal competencies of a successor entrepreneur refer to a combination of the business, management, strategic and social competencies of the successor entrepreneur. Through interviews, the study summarized that the personal competencies of the successor entrepreneur can be measured in terms of the successor entrepreneur’s competency and performance in projects, investments, and clients, in terms of managing the business and employees, grasping the general direction of policy, industry and society, and communication.

Successor entrepreneurs’ willingness to succeed has been mentioned several times in previous studies (S. Wang et al., 2020; Xi et al., 2017), mainly referring to the willingness of successor entrepreneurs to take over and sustain the business when faced with intergenerational succession. Specific examples mentioned in the interviews are “the more help, the more willing to take over”, “... ..he works for the government and is not willing to come and take over the business, so that won’t work either”, “..... Overall, it is the entrepreneur’s own will that is most important”. Through the interviews, this study summarized that the successor entrepreneur’s willingness to take over can be measured in terms of whether he is willing and happy to accept the succession of the business.

3.3.2.4 Intergenerational conflict

The intergenerational conflict has been commonly referred to as a conflict between incumbent and successor entrepreneurs in previous studies (R. C. Li, 2021), and this study is no exception. Combined with the interviews, we believed that intergenerational conflicts can be divided into two categories: conflicts over ideological views and conflicts over behavioural styles. Specific examples mentioned in the interviews are “..... there are definitely conflicts between the first and second generation of entrepreneurs”, “..... we are older and many of our views are different from those of our children”, “..... the previous generation is more conservative in their thinking and the younger generation is more up to date in their thinking”, “..... business ideas are different sometimes.....”, “..... some of the things that the previous generation is sometimes afraid to do, young people dare to do.....”, “.....young people are

braver to try some projects”. Through the interviews, this study argued that intergenerational conflict can be measured in terms of conflicts between incumbent and successor entrepreneurs in terms of ideological views and behavioural styles.

3.3.2.5 Organisational commitment

Organisational commitment, which is an individual’s identification with and trust in the goals and values of the organisation to which they belong, and the resulting positive affective experience, is an important employee attitude variable that has a significant impact on job performance (S. Wang et al., 2020). Specific examples mentioned in the interviews are “..... do employees like working in the company”, “.....whether employees are concerned about intergenerational succession”, “..... employee loyalty is very important... ..”. Through the interviews, this study defined organisational commitment as a psychological state that reflects the relationship between the employee and the organization. It implicitly contains the employee’s decision on whether to remain with the organisation, which can be measured in terms of sense of honour, loyalty, and concern for the company.

3.3.2.6 Government support

Through selective coding, we found that the government has a pivotal influence on the intergenerational succession of a business, and it will drive the influence of succession process factors on the success of intergenerational succession, i.e., a moderator. This study found through interviews that the government’s influence on intergenerational succession is mainly manifested in two types: government support or government intervention. Specific examples mentioned in the interviews are “..... I think policy support and government support will definitely affect the handover of the business... ..”, “..... the attitude of the relevant authorities is important”, and “..... government support has an absolute contribution to the success of business succession”, “..... governmental actions that can either support or interfere with the process of business succession”, “..... government will support businesses if their social contribution is high”, “..... turns a blind eye to a lot of things and gives it some privileges”, “..... government intervenes if the social contribution of is small”, “..... puts certain obstacles in the way”.

Based on this, this thesis identified that government support refers to certain policy support and encouragement given by the government as well as the governmental departments that are designated to manage the enterprise in the process of intergenerational succession. From the interviews, this study summarized that government support can be measured in terms of the

operation legitimacy (privileges), tax preferences, and financial support given by the government and authorities to the enterprise.

3.3.2.7 Control variables

In addition to the above-mentioned factors relating to professional managers, a number of other factors can also influence the success of intergenerational succession. Through interviews we found that internal stakeholder support, external stakeholder support, and the form of succession all directly influence the success of intergenerational succession. These factors were included as control variables in the conceptual model of this study.

Internal stakeholders generally include corporate executives, shareholders and all employees, and the support of these stakeholders can directly influence the outcome of intergenerational handover. For example, in the interviews, it was mentioned that “..... the most important thing about the handover is the recognition and conviction of the employees, this is very important”, “..... employees also influence the handover process”, “..... whether the executives of the company are supportive or not has a great impact on the handover outcome has a big impact”, “..... It’s all shareholding now and shareholders have a big influence”, “..... the whole ethos of the business. He will develop a good ethos”. Taking this as a basis, the thesis defined that internal stakeholder support refers to the support of corporate executives, shareholders and all employees for intergenerational succession, and that measurement should be carried out in these terms.

Apart from the government, the most important external stakeholders are the industry, the chamber of commerce and some important partners, whose support can also directly influence the outcome of intergenerational succession. For example, in the interviews for this study it was mentioned that “the influence of people outside is very strong” and “..... industry support, social support all influence the process of business succession”, “..... including partners, also have a big role in facilitating”, “..... Business legacy success needs to consider the impact of society”, “..... the influence of industry peers, relevant authorities, and users”. On this basis, the theses identified that external stakeholder support refers to the support of industry associations, chambers of commerce, and key partners for intergenerational succession, and that measurement should be conducted similarly from these perspectives.

Some incumbent entrepreneurs prefer to set up a branch for their successor to train and learn, and incumbent entrepreneurs think that their successor will eventually return to the original company. Some incumbent entrepreneurs prefer to let their successors work directly in the company and then complete the succession when the time is right. Different forms of

succession can have different effects on the outcome of the succession, as reflected in the interviews, e.g., “..... My nephew has been with the company for several years, so the succession must be relatively smooth,” “..... has been in the company for more than ten years, he has experience and the staff are convinced of him,” “ Some second-generation entrepreneurs are willing to go out and fight on their own,” “..... to fight outside in order to get real training and a smoother succession,”.

On this basis, the thesis considered the form of succession to be the form in which the incumbent entrepreneur hands over ownership of the business to the successor entrepreneur. From the interviews, it was argued that the form of succession can be measured as a categorical variable, with the categories of succession via setting up a branch and succession of the original firm.

3.4 Hypotheses about the impacts of professional manager’s competency on the succession process factor

The results of the interviews in Chapter Three show that the competency of professional managers in family businesses plays an important role in the intergenerational succession of family businesses. From the perspective of the development of the successor entrepreneur, a competent professional manager can develop the competency of the successor entrepreneur, thus enabling him or her to take over the family business. Competent professional managers make entrepreneurs more confident that they can manage the business well and are more willing to take over the business. From the perspective of inter-generational conflict, a professional manager with strong communication skills can reconcile the conflicts between the incumbent and the successor entrepreneurs, thus reducing inter-generational conflict. From an employee perspective, a competent professional manager gives employees more confidence to support the new leader, thus strengthening their commitment to the organisation.

In short, the competency of professional managers can largely influence the intergenerational succession process of family businesses, both in terms of the successor entrepreneur and the organisation. The following section analyses the relationship between professional manager’s competency and the three factors of the succession process, namely the competency of the successor entrepreneur, intergenerational conflict, and organisational commitment, and proposes relationship hypotheses.

3.4.1.1 The direct impacts of professional manager's competency on the successor entrepreneur's competency

The development of a business is essentially a process of continuous renewal of business managers. Successor entrepreneur's competence is the basis for the sustainable development of a family business. Each successful successor focuses on improving their competency. They may develop new products and services, they may find new business models, or they may explore new systems and management styles that lead to success. Intergenerational succession in a family business is not simply a handover of power, but a process by which the successor entrepreneur continues to develop his or her competency. The competence of the successor entrepreneur is a condition for the intergenerational succession of a family business and the basis for its sustained development.

However, the competency of successor entrepreneurs is not innate, but requires not only the careful training of their fathers and mothers as well as their own hard work, but also the dedicated support of professional managers. The incumbents are mostly the first generation of entrepreneurs with absolute authority, but they are less educated and less aware of the need to develop a successor training plan. Most of these founders rely on their own experience but lack a systematic and scientific training plan. In foreign countries, there is a systematic and comprehensive system of selection and training of successors. The main methods of training are "family constitution", "horse race" and "entrusting an orphan to someone dependable". The characteristics of succession training include a comprehensive selection and training system, family culture inheritance and grassroots training, a special selection and training team for successors, and the attraction of professional managers. Typical businesses are DuPont, General Electric and the Hilton family.

In the crucial process of intergenerational succession in a family business, a competent professional manager should not only be able to do his or her job well, but also be able to teach the successor entrepreneur. A competent professional manager should have two basic characteristics. Firstly, the work objectives of the enterprise and the department are formulated and broken down into specific tasks according to the business management situation of the enterprise. Then, they should work independently to complete the objectives through the mobilisation of resources, the implementation of effective management, within the scope of their authorization. Secondly, professional managers should not only be "skilled craftsmen" or "marshals" of the company. More importantly, they should be "teacher" for successor entrepreneurs.

Professional managers often take on the role of project leader. In the course of their involvement in projects, successor entrepreneurs learn from professional managers about the capabilities of working independently and taking charge as chief, as well as the qualities expected of an expert, professional and marshal type of manager. In addition, professional manager's competency can enhance the successor entrepreneur's competency, as reflected in the data from the in-depth interviews. For example, some interviewees mentioned that "..... The competence of the professional manager has enabled this business to remove a lot of difficulties and also to have the foresight to make that business profitable. This kind of professional manager he brings out must be very capable in all aspects".

In the new era, the lack of willingness of the second generation to succeed is an inescapable problem for the first generation. S. S. Shi (2014) found from a questionnaire study of 107 children of family business owners that the willingness of the children of family business owners to succeed is not constant, but is determined by a combination of internal and external factors. One of the key internal influencing factors is the professional manager.

On the one hand, the addition of professional managers gives successor entrepreneurs the confidence that they can run the business well, thus increasing their willingness to take over. Firstly, competent professional managers are familiar with the policies, laws and standard operating procedures of asset management and are able to both grasp the policy and apply it flexibly.

Secondly, a competent professional manager has a mature professional mindset. All problems that may occur are seen as problems that are allowed to occur and can be faced and solved without avoidance. The requirements from superiors should be implemented in place, and their implementation of instructions, policies and laws from superiors is decisive and firm, with good implementation skills.

Finally, professional managers with high competence have the ability to think independently and systematically, and have high management skills, leadership and organisational skills. They have a strong insight to deal with various difficult issues. They also have the ability to think and judge through the phenomenon of things to see the essence, so they can grasp the essence of the problem quickly and accurately, good at decisive and timely problem solving. In short, the fate of professional managers and the fate of the enterprise are closely linked, forming a relationship of mutual help, honour and disgrace, and their competence is directly related to the survival of the enterprise.

Therefore, competent professional managers in a family business can therefore help to protect the successor entrepreneur and make him or her more willing to take over the family

business.

On the other hand, the addition of a professional manager helps the successor entrepreneur to share the business tasks of the company, thus mitigating the risk of business failure after they take over to a certain extent. Professional managers are remunerated on the basis of performance, so they have to bear the risk of business failure. A competent professional manager has the competency to work independently on projects and is able to take charge of the work, rather than being a messenger when problems arise.

In addition, professional managers with high competence are able to deal with issues from the perspective of the bigger picture, are highly principled and are bold enough to take on burdens and responsibilities. They have the courage to correct incorrect perceptions and misconduct of themselves and others, and at critical moments they would rather sacrifice their personal interests than safeguard the collective interests.

Professional managers with high competence can deal with problems from the general picture. They also obey rules and principles firmly. They dare to take responsibility, good at correcting the misunderstanding and wrong behavior of oneself and others. They even would rather sacrifice personal interests at critical moments, but also safeguard collective interests. Therefore, in the intergenerational succession of a family business, professional managers with strong competence can help the successor entrepreneurs share business risks together, which will enhance the successor entrepreneurs' willingness to take over the family business.

Hence, the competence of professional managers can improve the willingness of successor entrepreneurs to succeed, which is also reflected in the in-depth interview data. Some interviewees mentioned that "...the more professional managers have professional skills, the more confidence they have in successor entrepreneurs, the more help they will be, and the more willing they are to take over....".

During the transition period of intergenerational succession of family businesses, the social capital of professional managers facilitates access to key resources, including information, capital, technology, and talent, which makes the successor entrepreneurs more willing to take over the family business. The advent of the information age has made information a winning factor in market competition. There is often a certain lag and asymmetry in the acquisition and integration of information, which increases the transaction costs and related management costs of businesses. Professional managers with comprehensive resources can quickly integrate information from employees, competitors, and other external sources to obtain critical information to enable the company to react quickly and adapt to the needs of the competitive market.

At the same time, some professional managers have special social capital that allows them to access key material resources through their networks. For example, obtaining financial support through social relationships with banks and other financial institutions, obtaining technology and talent support through social capital established with universities and other research institutions, keeping abreast of changes in policies and regulations through social network relationships with government departments. In this way, professional managers can improve the resilience to irresistible risks, and better plan the vision of the enterprise.

To a large extent, this social capital from professional managers can ensure the smooth development of the business, which in turn can lead to a greater willingness on the successor entrepreneur to take over the family business. In addition, the social capital of professional managers can increase the willingness of successors to take over, as reflected in the information from the in-depth interviews. For example, some interviewees mentioned that “..... Secondly, he has certain social resources and can help the second generation to take care of things that he cannot handle””. In summary, we proposed the following hypothesis.

H1: Professional manager’s competency has a positive effect on successor entrepreneur’s competency.

3.4.1.2 The direct impacts of professional manager’s competency on intergenerational conflict

In the process of intergenerational succession in family businesses, conflicts between the two generations largely affect the smoothness of the succession process. The “first generation” has little higher education, lacks systematic knowledge of modern business management, is backward in its thinking and finds it difficult to accept new ideas, new things, new business models and new technologies. In terms of values, the “first generation” tends to be more inclined to accumulate wealth and maintain their achievements, while the “second generation” tends to pursue freedom and pioneering, resulting in a conflict between the business style and values of the two generations. This is not conducive to the cultivation of successors and may lead to the idea of leaving the father’s or mother’s business to develop on their own.

According to existing research, there is a consensus that communication is a fundamental way of resolving intergenerational conflicts. The act of communication, including trust, support, communication, feedback, and mutual learning, between the two generations in the family is a recipe for solving problems. To facilitate communication, many family businesses establish family committees or weekly meetings to encourage family members to exchange ideas and express their feelings. This face-to-face communication can be effective in easing tensions

between family members. Although the authority of the father in the family is unquestionable in traditional Chinese culture, children still have the right to self-expression and fathers and sons should respect and understand each other.

Competent professional managers can act as a bridge between two generations of entrepreneurs by easing their intergenerational conflicts. When professional managers work on projects, they are constantly confronted with problems of coordination and communication. For example, the operation of a project necessarily requires communication from multiple parties at all levels. This communication and coordination can only be based on the need to do a good job on the project, not on personal preferences. Poor coordination and communication can bring great resistance to the project's progress. To do a good job on a project, professional managers have to coordinate and communicate in both bottom-up and top-down approaches. They need to communicate with local government functional departments, policy and legal departments, with the corporate team, trade unions, employees, and their own team.

The purpose of communication is to work collaboratively as one team and coordinate relationships. When communicating, it is important to put mind at ease, not to put on airs, seek understanding and support, and even be able to let them wronged. Practice has proven that high coordination and communication skills are a prerequisite for a good project. No matter how many problems and contradictions exist in the company, as long as professional managers make an effort to coordinate and communicate, form a consensus with all parties and gain acceptance, they will be able to overcome even the greatest difficulties and grasp the initiative of operating the project.

Therefore, competent professional managers have strong communication skills and can coordinate between the two generations or even offer compromise advice, enabling a “soft landing” for intergenerational succession. In addition, professional competencies can mitigate intergenerational conflicts, as reflected in the in-depth interviews. For example, some interviewees mentioned that “..... A professional manager can reconcile the conflicts between one and two generations of entrepreneurs, but it depends on his ability “.

In summary, we proposed the following hypothesis.

H2: Professional manager's competency has a negative effect on intergenerational conflict.

3.4.1.3 The direct impacts of professional manager's competency on organisational commitment

Organisational commitment is an employee's attitude towards the organisation, which explains

why the employee wants to stay with a particular company. Therefore, it is an indicator of the extent to which the employee is loyal to the company. In modern human resource management, apart from signing a labour contract with the company, employees also invisibly develop a psychological contract, which guides people's behaviour outside the rules and regulations and also gives employees a sense of belonging and loyalty to the company, thus maintaining the relative stability of employees.

The higher the level of organisational commitment, the more likely it is that employees will be motivated to develop positive behaviours, which in turn will be an enabling factor for organisational development. The competence and style of managers have been repeatedly mentioned in previous studies as key factors influencing organisational commitment. At a critical time in the intergenerational succession of a family business, the professional manager is a crucial managerial role.

Competent professional managers influence the organisational commitment of their employees through their work style and personality. On the one hand, a professional manager's competence includes a pragmatic work style. Work style is a yardstick for measuring responsibility and commitment. Working close to reality means working effectively and efficiently. Competent professional managers are able to do this by being more familiar with the policies, understanding the business, grasping the dynamics, grasping the progress, operating on the front line and solving the most concrete problems at the grassroots level than others in the business and the team.

Thus, a professional manager's practical, realistic, pragmatic, and down-to-earth style of work will subtly influence employees' assessment of the organisation's value and thus increase their commitment to the organisation. On the other hand, the competencies of a professional manager include his or her personality. A highly competent professional manager should be a "marshal" of the enterprise. A marshal needs not only the authority to lead his troops, but also the trust that others would like to obey. A good leader should be willing to take risks and bring confidence to the people, all of which will increase the commitment of the employees to the organisation. In addition, professional manager's competency can increase employees' organisational commitment, as reflected in the data from the in-depth interviews. For example, some interviewees mentioned that "..... something about the way he conducts himself, he does not only influence the successor entrepreneur, but also the whole corporate ethos. He will create a good ethos and make the employees like working here more" and "..... the personality of the professional manager can also influence the people around him".

The good social capital of professional managers within the organisation's membership

facilitates the development of teamwork so enhances the commitment of employees to the organisation. A manager with good social capital has the capability to build trust and emotional relationships with employees, surpassing the traditional hierarchy that is the limitation of the organisation. Professional managers can also timely communication with lower-level employees and the mutual integration of values enable a corporate culture based on the manager's philosophy to be well accepted and transformed into a spiritual drive for teamwork, thus enabling the organisation to develop under a common visionary goal and form a new core competence. The unity of the staff inspires loyalty within the staff so demonstrates a higher level of commitment to the organisation.

Good social relations between managers and entrepreneurs can give employees positive psychological implications to feel better about their work in the company, thereby showing a higher level of organisational commitment. A good social relationship between the manager and the entrepreneur can lead to a relationship of trust between them, which allows the manager and the employees to carry out their work well, saving the transaction costs associated with negotiating with the business owner and facilitating the achievement of the business owner's goals through the manager.

It can be said that professional manager's social capital in a sense expands the boundaries of a business, complements its various competencies and overcomes its shortcomings. The higher the manager's social capital, the greater his or her ability to develop the business. Manager's social capital expands and extends the capabilities of the business owner, injects driving forces into the family business and therefore increases the organisational commitment of the employees. Moreover, the social capital of professional managers can increase the organisational commitment of employees, as reflected in the data from the in-depth interviews. For example, some interviewees mentioned that "..... he brings social resources that can help the business grow better and the employees are more loyal".

In summary, we proposed the following hypothesis.

H3: Professional manager's competency has a positive impact on organisational commitment.

3.5 Hypotheses about the impacts of succession process factors on the success of intergenerational succession

3.5.1.1 The direct impacts of successor entrepreneur's competency on the success of intergenerational succession

The competency of a family business successor from an intergenerational perspective is an extension of managerial competencies, a combination of knowledge structures, management skills, values and self-perceptions that can produce high organisational performance. It is a transformational competency. Firstly, it is unique in that it does not simply learn and replicate the talents of the first generation of entrepreneurs, but reflects the individual characteristics possessed and developed by the new generation of business leaders in a particular context. Secondly, it is continuous in that it maintains the continuity of the family culture and has a certain historical path dependency. Thirdly, it is valuable in that it satisfies the company's stakeholders and brings about sustained performance improvement.

Competent successor entrepreneurs are better able to generate profits for the family business, which will facilitate a smooth intergenerational succession. Entrepreneurs are unique and capable of generating net profits. The knowledge and competence of entrepreneurs are the main sources of core competencies and the powerhouse of business growth. The entrepreneur's management skills are an important factor in business growth. If the successor entrepreneur is familiar with the work and is able to mingle with the organisation where he or she works, ineffective communication will be reduced, and the overall efficiency of the organization will be increased. Business growth relies on the entrepreneur's capability to identify and exploit opportunities that are not only related to the growth of the business or organisation, but also contribute to the growth of the business's economic activity.

According to above-mentioned discussion, entrepreneur's competence is an important resource for a business, which determines the speed, manner and limits of its growth. Successor entrepreneurs in family businesses with a high level of competency will not only lead to better business growth, but also to the satisfaction of important family members. These ideals were also reflected in the interviews in some concrete ways, such as when an interviewee mentioned that "..... the business and management competencies of second-generation entrepreneurs very directly influence the business succession" and "..... business ability is very strong, but her personality, the tone of the conversation is very urgent, no patience, this also does not work", "..... can grasp the general direction of policy, the general direction of society,

unique social experience”.

In summary, we proposed the following hypothesis.

H4: Successor entrepreneur’s competency has a positive impact on the success of intergenerational succession.

3.5.1.2 The direct impacts of intergenerational conflict on the success of intergenerational succession

In the study of intergenerational succession, the relationship between family members, especially between the incumbent and the successor, has attracted much academic attention. This is because the whole process of intergenerational succession is not only determined by the size of the market value, but also by the relationship between the firm and the stakeholders in the family. Intergenerational succession is largely influenced by trust, communication, support, feedback, mutual respect, and understanding between the two parties to the succession. The incumbent’s trust in the competence and integrity of the successor indirectly affects the shareholders’ satisfaction with the succession process, which in turn affects the shareholders’ evaluation of intergenerational succession and the process. In the long run, it affects the value of the company and its social reputation. Therefore, it is generally accepted that a harmonious relationship between the two parties is conducive to the successful achievement of intergenerational succession.

However, the problem of intergenerational conflict arises when two generations have conflicting ideological views or ways of behaving. Intergenerational conflict is an important obstacle in the process of intergenerational succession. Statistics show that 49% of the second generation do not agree with their parents’ approach to business. It is a particular case in China. Due to the vast differences in upbringing and social experiences between the two generations, it is common that the two generations to share a large degree of cognitive differences and conflicts.

Successor entrepreneurs with overseas experience have already become typical example of succession conflicts. The first generation of entrepreneurs likes to send their children overseas to study at prestigious schools such as Eton, Cambridge, Oxford, Harvard, Yale. While studying or working overseas, the second generation of the family is not only profoundly influenced by the culture, ideology, and institutional environment of the overseas country or region, but also shaped by a unique mindset and skills that are different from those of the founders through exposure to and learning from overseas knowledge and management experience. When the second generation returns to China and becomes involved in the management of the family

business, there will inevitably be cognitive conflicts and capacity differences between them and the founders in terms of values, management philosophy, and knowledge and skills.

This has led to inter-generational conflicts in Chinese family businesses. In terms of hiring, the older generation prefers to employ the senior generation while the sons prefer to employ new people; in terms of business development ideas, the older generation wants the business to be strong and stable while the sons mostly prefer to make the business bigger and more aggressive in developing new projects and products. However, China is a country that traditionally focuses on “human harmony” and consensus among members is very important. The relationship between the incumbent and the successor determines the process, timing, and efficiency of succession in the intergenerational process to some extent. A smooth succession process requires the cooperation of both the founder and the successor.

In conclusion, conflict between family members is one of the main causes of stagnation in family businesses, and a good relationship between the incumbent and the successor is a key factor in determining the success of the succession. Furthermore, the important impact of intergenerational conflict on the success of intergenerational succession is reflected in the data from the in-depth interviews. For example, some interviewees mentioned that “..... having conflicts definitely does not work” and that “... ..the conflict is resolved first before the succession can be successful”.

In summary, we proposed the following hypothesis.

H5: Intergenerational conflict has a negative impact on the success of intergenerational succession.

3.5.1.3 The direct impacts of organisational commitment on the success of intergenerational succession

To some extent, employees with higher organisational commitment will improve their performance and avoid some withdrawal behaviours. Performance and employee withdrawal behaviour are two commonly used outcome variables in studies about organisational commitment. It was found that the mean correlation between organisational commitment and employee performance was 0.135 and 0.054, respectively, using supervisors’ subjective ratings of subordinates’ performance and objective indicators of subordinates’ performance as valid indicators (Mathieu & Kohler, 1990). A study in Hong Kong also found a correlation of 0.13 between organisational commitment and sales performance, and 0.08 when supervisor evaluation was used as an indicator of performance (Farth et al., 1998). Voluntary separation behaviour is one of the most studied employee withdrawal behaviours. The average correlation

between organisational commitment and voluntary turnover was found to be -0.227, with a correlation of -0.464 with employees' intention to actively seek other jobs and -0.599 with employees' intention to leave (W. P. Hu & Shi, 2004). Thus, the predictive effect of organisational commitment on voluntary turnover intentions has been confirmed by rich empirical data.

In the intergenerational succession of family businesses, the viability of the business is greatly challenged, so it is even more important to avoid turnover, which means that employees are required to support intergenerational succession with high organisational commitment. Organisational commitment is a good predictor of turnover and absenteeism, and Porter et al. found in their study of the relationship between organisational commitment and job satisfaction that organisational commitment was a better predictor of employee turnover. Controlling employee turnover and improving their job performance can clearly be achieved by increasing the level of organisational commitment through analysing organisational commitment.

A stable workforce is fundamental to the survival and development of a family business, and is one of the most important conditions determining the quality of its future development. Organisational commitment is the psychological link between employees and the company, which is closely related to employees' work attitude, performance, and tendency to stay or go. It also affects the effectiveness and efficiency of the business organisation.

At this stage in China, with the intensification of competition in the market economy and China's reform of the talent mobility mechanism, employee turnover is more frequent than ever before, resulting in an inadequate and unstable workforce in many family businesses. Therefore, staff stability and high performance due to employee organisational commitment are important safeguards for this difficult phase of business succession between generations. Furthermore, the important influence of employee organisational commitment on the success of intergenerational succession is reflected in the data from the in-depth interviews. For example, some interviewees mentioned that "the most important thing about handover is the recognition and conviction of the employees, which is very important".

In summary, we proposed the following hypothesis.

H6: Organisational commitment has a positive impact on success of intergenerational succession.

3.6 Hypotheses about the succession process factors as the mediator

3.6.1.1 Successor entrepreneur's competency as a mediator

According to the analysis in the previous section, the competence of a professional manager will increase the competence of the successor entrepreneur, and a successor entrepreneur with higher competence will take over the business more smoothly. Competent professional managers can use their competence to develop the competence of the successor entrepreneur during the intergenerational succession of the family business, thus making them more capable of managing the entire family business as an enterprise owner.

The training of a successor entrepreneur by a professional manager is a long and imperceptible process. The incumbent entrepreneur in a family business has difficulty in taking the hands to educate his or her offspring because of the busy schedule and to avoid transferring career conflicts to the family. Professional managers can serve as the best teacher. Some family businesses place their successors in the business a few years or even a dozen years before the handover, either in junior positions or in management positions. However, the successor entrepreneur has gone through a process of gradual growth with the nurturing of a professional manager regardless of the position. Successor entrepreneurs trained by competent professional managers are naturally also highly competent and are able to take over the business more smoothly.

In addition, the mediating role of successor entrepreneur's competence in the relationship between the impacts of professional managerial competence on the success of intergenerational succession is strongly evident in the data from the in-depth interviews. For example, "..... professional managers teach their successor entrepreneurs by example", "... ..the successor entrepreneur follows him for a long time and is definitely influenced, this influence is a positive ability", "..... the professional manager has an influence on the successor entrepreneur in all aspects will have an impact, the core is to influence his overall industry grasp aspect", "..... professional manager to teach him, take him, in the failure to feel the experience of growth".

In summary, we proposed the following hypothesis.

H7: Successor entrepreneur's competency mediates the impact of professional manager's competency on the success of intergenerational succession.

3.6.1.2 Intergenerational conflict as a mediator

According to the analysis in the previous section, competent professional managers can

regulate intergenerational conflicts between two generations of entrepreneurs, and with intergenerational conflicts mitigated, intergenerational succession will be smoother. Competent professional managers need to be able not only to train their successors, but also to act as a lubricant in the communication between the first and second generations of entrepreneurs. A professional manager with strong communication skills can take into account the feelings of both the incumbent and the successor entrepreneurs and make win-win decisions.

In some cases, the conflict between the first and second generation is reflected in different views on the management or the development of the business, but this difference in views can easily turn into a violent family conflict due to the family's father-son relationship. Professional managers, as experienced managers, are able to go beyond the confines of kinship and give more objective and fair advice from the perspective of what is best for the business. It will be easily accepted by both generations of entrepreneurs.

Furthermore, intergenerational conflict mediates the impacts of professional managers' competency on the success of intergenerational succession, which is reflected in the data from the in-depth interviews. For example, "..... there are definitely conflicts between the two generations and professional managers definitely have to find ways to reconcile them" and "..... there are conflicts definitely not smoothly passed on", "..... the professional manager helped them to resolve the conflicts, only then will be passed on smoothly".

In summary, we proposed the following hypothesis.

H8: Intergenerational conflict mediates the impacts of professional manager's competency on the success of intergenerational succession.

3.6.1.3 Organisational commitment as a mediator

According to the analysis in the previous section, competent and socially capitalised professional managers increase employees' organisational commitment, which is an important factor in ensuring the smooth intergenerational transfer of family businesses. On the one hand, a manager with high competency is capable of leading the business to better growth, so employees have more trust in the organisation's capabilities and show better commitment to it. At the same time, the charisma of a competent professional manager can boost employee's motivation and unity, which greatly increases employees' loyalty to the organisation and thus their commitment to it. High organisational commitment means high loyalty to the organisation, so it is therefore beneficial for intergenerational succession. In other words, the competencies of professional managers can indirectly influence the success of intergenerational succession through organisational commitment.

On the other hand, professional managers with more social capital are able to increase their organisational commitment as they bring more valuable social resources to the company and better build trust with their employees. In other words, the social capital of professional managers can indirectly influence the success of intergenerational succession through organisational commitment.

In summary, organisational commitment mediates the impacts of professional manager's competence and social capital on the success of intergenerational succession, which is reflected in the data from the in-depth interviews. For example, "..... managers are competent and employees are supportive so that intergenerational succession can proceed smoothly".

In summary, we proposed the following hypothesis.

H9: Organizational commitment mediates the impact of professional manager's competency on the success of intergenerational succession.

3.7 Government support as the moderator

The process of intergenerational succession in family businesses will be smoother if it is supported by the government. In the process of family succession, government support can be manifested in many ways. For example, formal support documents have been issued. Yizheng County, Yangzhou City, Jiangsu Province has issued the Proposal on Optimising the Corporate Governance Structure and Helping Private Businesses to Pass on Their Legacy Between Generations, which mentions the need to build an exchange platform for the businesses. Some of Yizheng's outstanding young entrepreneurs with ambition and commitment have taken the lead in setting up the Yizheng Young Entrepreneurs Association, which is dedicated to providing support for intergenerational business succession.

It is also important to have the support of informal relationships. If a company is not supported by the local government, it may encounter difficulties in all aspects of land acquisition, taxation, environmental protection, and health. Second-generation entrepreneurs must respect the rules of play if they want to inherit a business.

The process of intergenerational succession is one of the most fragile and difficult processes for family businesses, and government support is essential in this regard. Firstly, government support varies from business to business. Succession is more likely to be smoother for those entrepreneurs who are willing and able to succeed. There is a Chinese saying that "all is ready except something crucial, the east wind", and government support is "east wind" in the intergenerational succession of family businesses. The successor entrepreneur who rides on the

“east wind” will have a smoother process in accepting the business. In other words, government support positively moderates the impacts of successor entrepreneurs’ competence, willingness to succeed on the success of intergenerational succession.

Secondly, even if there is conflict between two generations of entrepreneurs, government support can make them temporarily put aside their disputes for the sake of better business prospects and work together to overcome difficulties and complete intergenerational succession. In other words, government support has a positive moderating role in the relationship between the impact of intergenerational conflict and the success of intergenerational succession.

Finally, the organisational commitment of employees is particularly important, but having government support is a further reassurance to employees that they will be more willing to cooperate with intergenerational succession. In summary, government support has a positive moderating effect on the relationship between organisational commitment and the success of intergenerational succession.

The moderating role of government support was reflected in the information from the in-depth interviews. For example, “..... I think that policy support and government support can definitely affect the handover of businesses”, “..... he government action can both support and interfere with the process of business succession. If the enterprise’s social contribution is large, the government will support it, turn a blind eye to many things and give it some privileges. If the social contribution is small, the government will intervene and put certain obstacles in the way”.

In summary, we proposed the following hypotheses.

H10: Government support positively moderates the impacts of successor entrepreneur’s competence on the success of intergenerational succession.

H11: Government support negatively moderates the impacts of intergenerational conflict on the success of intergenerational succession.

H12: Government support positively moderates the impacts of organisational commitment on the success of intergenerational succession.

3.8 The construction of a conceptual model with hypotheses

This section combines the interviews in Chapter Three and the analysis in previous section to construct the conceptual model with hypotheses for this study, as shown in Figure 3.2.

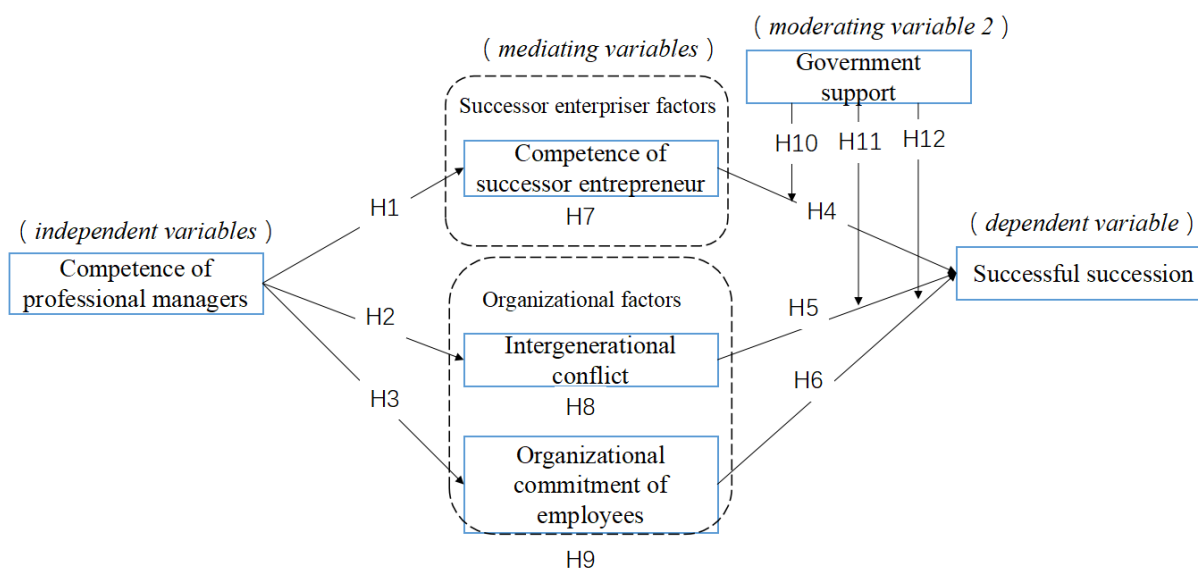


Figure 3.2 Conceptual model of the mechanism about the impacts of professional managers on the success of intergenerational succession in family businesses

3.9 Chapter summary

Based on the conceptual model about the mechanism of professional managers' impacts on the intergenerational succession of family businesses presented in previous section, this chapter focuses on proposing hypotheses about the relationships between the variables involved in the conceptual model.

Firstly, the following relationships are hypothesized in this study. H1: Professional manager's competency has a positive effect on successor entrepreneur's competency. H2: Professional manager's competency has a negative effect on intergenerational conflict. H3: Professional manager's competency has a positive effect on organisational commitment. H4: Successor entrepreneur's competency has a positive impact on the success of intergenerational succession. H5: Intergenerational conflict has a negative impact on the success of intergenerational succession. H6: Organisational commitment has a positive impact on success of intergenerational succession. H7: Successor entrepreneur's competency mediates the impact of professional manager's competency on the success of intergenerational succession. H8: Intergenerational conflict mediates the impacts of professional manager's competency on the success of intergenerational succession. H9: Organizational commitment mediates the impact of professional manager's competency on the success of intergenerational succession. H10: Government support positively moderates the impacts of successor entrepreneur's competence on the success of intergenerational succession. H11: Government support negatively moderates

the impacts of intergenerational conflict on the success of intergenerational succession. H12: Government support positively moderates the impacts of organisational commitment on the success of intergenerational succession.

Secondly, this chapter constructs a conceptual model for this study based on the relational hypothesis of each of the above variables, i.e., a conceptual model of the mechanism of professional manager's impacts on intergenerational succession in family businesses. In this conceptual model, in addition to the dependent variable, the success of intergenerational succession, the professional manager factor is also included: professional manager competence. The intergenerational succession process factors are included: successor entrepreneur's competence, intergenerational conflict, and organisational commitment. The conceptual includes control factors: external stakeholder support, internal stakeholder support, and succession model.

Thirdly, a total of six hypotheses on the relationships between the core variables are presented in this chapter, laying the foundation for the subsequent development of scales and the continuation of empirical study.

Chapter 4: Scale Development and Data Collection

Based on the conceptual model and related hypotheses proposed in the previous chapter, this chapter will introduce how the scale was developed and how the questionnaire was designed, mainly including scale development methods, scale generation, scale testing and questionnaire design, which will lay the foundation for the subsequent validation of the conceptual model and hypotheses of this study through data analysis.

4.1 Scale development method

There are two common methods used in empirical research in the social sciences, namely the experimental method and the questionnaire survey. Due to the complexity of the model of this study, it is difficult to ensure the accuracy of the experiment as it is difficult to strictly control the variables during the experiment. Therefore, in order to objectively validate the proposed conceptual model and reveal the relationship through the data, this study chose the questionnaire survey to empirically test the relevant relationship hypothesis. Because online questionnaires are more convenient and faster than thesis questionnaires, and can effectively expand the sample size of this study, online questionnaires were used as the tool for issuing and collecting questionnaires for this quantitative study.

Based on the previous conceptual definition of the variables in this study and the mechanism about professional managers' impacts on intergenerational succession of family business and the hypotheses between the variables, the following section will describe how the research scale was developed in the quantitative study. The development of the new scale requires a review of the variables and the items for each variable. In order to improve the validity of the scale, the following steps need to be included in the scale development process: selecting the items, editing the items to fit the research setting, defining the variables, constructing the relationships between the variables and the corresponding items, and confirming that the items adequately cover all dimensions of the variables. There are relatively few explanations in the existing literature that are relevant to the research questions posed in this study, so it is important to obtain the necessary items from the process of grounded study. This section does not cover the development of scales of control variables since control variables are not the focus of this study.

The complete scale development process for this study is as follows. The first two steps are to generate the scale and the last step is to test the scale. Item creation involved extracting relevant items from the literature, simplifying and editing the items to fit the context of the study, and having the items reviewed by relevant experts and researchers.

Once the items have been created, the scale development phase began. The scales were developed using card sorting of two rounds. The first round of card sorting was the development of the categories of variables to which the items belong, and the second round of card sorting is the certification of the item classification.

After the second round of card sorting was completed, the Kappa coefficient was applied to produce ranking results based on the placement ratio of the items (cards) and intra-placement agreement. Once the scales were compiled, the final stage of scale development was undertaken, i.e., the reliability test of the developed scales by a pre-test with a small sample.

4.2 Scale generation

4.2.1 Item creation

We firstly processed the established scales from the existing literature to fit the research context of this study and the text data of the in-depth interview. Secondly, the variables that were not found in the literature were developed based on the content of the literature and the in-depth interview data. Table 4.1 shows the variables and sources of the items measured in the scales developed in this study.

Table 4.1 Variables and sources of items

No.	Variables	Title source
1	Success of intergeneration succession	Yu et al. (2013); In-depth interviews
2	Professional manager's competence	In-depth interviews
3	Successor entrepreneur's competence	Wu et al. (2010); In-depth interviews
4	Intergenerational conflict	In-depth interviews
5	Organisational commitment	F. Zhu et al. (2020); In-depth interviews
6	Government support	In-depth interviews

Secondly, when the items for the scale had been extracted from the literature and interview results, the list of items was sent to two experts in the research area to review and re-edit the items. The main purpose was to refine the focus and ensure the integrity of the items within the study. The edited questions were then sent to industry experts for further validation. Finally, when the industry experts have completed validation of the items, the items were reviewed again by experts in the research area. The creation of items for this study was completed in four steps: determining the item extraction, initial item list, expert feedback, and completion of the

item list.

(1) List of extracted items

Based on the results of the in-depth interview data, six core variables and 38 measurement items were developed in this round. a) The variable of “succession success” consisted of three dimensions: recognition, management capability, and satisfaction, and six measurement points were developed. In combination with the content of the in-depth interview text, one item was set for each measurement point, resulting in six measurement items. b) The variable “professional manager’s competence” consisted of three dimensions: management competence, social capital, and authority, resulting in 14 measurement points and 14 measurement items. c) The variable “successor entrepreneur’s competence” consisted of three dimensions: management competence, social capital, and authority, resulting in 14 measurement points and 14 measurement items. d) The “intergenerational conflict” variable consists of two dimensions: conflict of opinion and conflict of behaviour, with a total of four measurement points and four items. e) The “organisational commitment” variable consists of three dimensions: honour, loyalty, and concern, with a total of 5 measurement points and 5 measurement items. f) The variable “government support” consists of two dimensions: policy support and government expectation, with a total of three measurement points and three measurement items.

(2) Create an initial list of items

When creating the items, it was determined whether the focus of the item was too narrow or too wide, so during the three iterations of validation and item editing by the expert scholars, if the focus of an item was found to be unclear, too narrow, or too wide, the item was edited or removed from the list. As the 14 items in the measure of the “professional manager’s competence” variable overlapped in the focus of each dimension, they were rearranged and regrouped into five new items. In the end, a total of 29 initial items were created in this step of the study.

(3) Expert feedback

In this step, the 30 items from the previous step were submitted to four experts in the human resource field to collect their feedback. These four experts were asked to check the suitability of the 30 items for the family business study and the clarity of their expression. Feedback from industry experts contributed to the quality of the items. After the collection of feedback from the industry experts, further revisions to the initial items of the research scale were implemented based on the feedback from the academics and industry experts. By obtaining expert feedback, it was possible to better ensure that the items were responsive to the context of the research questions and also encompassed the industry perspective, thus making the research

content relevant to practical applications.

(4) Complete the final list of items

In completing the creation of the items, 27 items were approved by the expert scholars and industry experts. The revision and review of the items in this step were carried out by the same two scholars as in step one. The list of items was reviewed and edited again based on feedback from industry experts, with the premise of adapting to the conditions of the study. During this step, the experts focused on the overall length of the item list and the length of the items.

In order to improve the returning rate and quality of the questionnaire during the follow-up survey, experts and scholars proposed to shorten the length of the item list and the length of the items. At the same time, the final 27 items were retained to ensure content validity and content breadth (i.e., item coverage) during the development of the scale to form the final item list. Although the list of items and the items themselves were partially edited and shortened during this step, the core content of the items themselves remained unchanged, ensuring that the intent of the items remained.

The final 27 items were reviewed and edited by experts to ensure that there was no duplication, ambiguity, or vagueness in the items. Once the items were created, the scale development process moved on to the scale development stage. The final list of 27 items with six variables was identified.

4.2.2 Scale development

The main objective of this session was to construct a set of structures that reflected the attributes of all the items in the item list and to ensure that the constructed structures have good construct validity. In this study, card sorting was used to verify the construct validity of the final item list by calculating inter-rater agreement and card placement ratios (Moore & Benbasat, 1991). Intra-subject identification has been widely used in different studies. During the scale preparation process of this study, two groups of subjects participated in the card placement process and collected the intra-subject identification. For the measured related data, the intra-group identity of the subjects was obtained by calculating the Kappa coefficient of the intra-group identity.

The process of developing the scale in this study consisted of two rounds of card sort placement. The first round of card sort placement was aimed at achieving clustering of the items with four steps. The first step was for the participant to group the items; the second step was for the participant to create labels and tags for the grouped items based on the concepts or

attributes of the items; the third step required the participant to define the categories to which the groups belonged based on the tags assigned to the groups; and the fourth step was for the participant to revise and improve the definition of the categories given.

The second round of card sorting was completed by another independent group of subjects who were asked to differentiate and categorise the question items according to the definitions of the categories given. The results of both rounds of card sort placement showed that the placement rate for both the first round of card sort placement and the second round of card placement was above the theoretical kappa pass factor of 70%. Therefore, this study concluded that the final measure of the construct validity of the item list was theoretically passed. Therefore, this study adopted this final list of items as the initial scale and conducted scale testing.

4.3 Scale test

4.3.1 Group interview and scale adjustment

In order to maintain a scientific and rigorous academic research attitude, it is necessary to repeatedly predict the research scale before administrating the questionnaire. Although the scale used in this study has passed the two rounds of construct validity verification of the card sorting method and the review of experts and scholars, in order to ensure the reliability and validity of the scale, this study conducted two rounds of testing on the initial scale: group interview and pre-test sample. In this way, we can verify whether the relationship between each variable and its corresponding item was consistent with the theoretical relationship proposed in this study.

Firstly, four linguistic scholars who are proficient in both English and Chinese and professional translators were consulted to ensure that the scale was expressed accurately and clearly. Based on this, five researchers who are authorities in their field were consulted to make changes to the scale, and relevant aspects of the scale were revised based on the suggestions made by the researchers.

Then, eight PhD students and young teachers were selected and invited to respond to the scale through both face-to-face interviews and WeChat (a popular Chinese instant communication software), and were asked for feedback at the end of the scale, such as “Do you think the purpose of the study is clear?”; “Do you find the presentation of the questions clear? If anything, was unclear?”; “What problems did you encounter in the process of answering and

did you have any difficulties in answering?"; "What are your suggestions and comments on this study scale?". Based on the responses of the 16 respondents and their feedback, the scale was adjusted as appropriate. Finally, the scale was distributed to a purposively selected target sample of 20 people via WeChat as an online survey, and the target sample was asked not to distribute the scale to others.

After the above three rounds of test on the initial scale, the following changes were made to the questions on the initial scale: (1) The term "successor entrepreneurs" was changed to "new generation entrepreneur" in order to make it easier for respondents to understand. (2) The term "incumbent entrepreneurs" was changed to "older generation entrepreneur". (3) "The government supports the industry strongly" and "the government supports the enterprise strongly." Were followed by additional explanations including tax incentives, financial support, and privileges. In the end, the research scale for this study identified 27 items. Table 4.2 shows the variables and items included in the scale for this study, and the letters after the variables are the numbers of the variables.

Table 4.2 Research scale

Variables	Title item
Passing on success (Y)	Y1: The results of the handover of the business were recognised by the government. Y2: The results of the handover at this business are recognised by employees. Y3: The results of the handover of this business were approved by the client. Y4: The older generation of entrepreneurs is pleased with the outcome of the handover of the business. Y5: The new generation of entrepreneurs is pleased with the outcome of the handover of the business. Y6: The business has the ability to be sustainable and profitable after the handover.
Professional Managerial Competence (X)	X1: The professional manager of the business has a good grasp of the strategic direction of the business. X2: The interpersonal skills of the company's professional managers are strong. X3: The company's professional managers have a wealth of social contacts in government. X4: The company's professional managers are well respected and trusted by entrepreneurs. X5: The company's professional managers are well respected and trusted by the employees.
Successor Entrepreneur Competence (MEa)	MEa1: The new generation of entrepreneurs in the business is keen to take over as the new leader. MEa2: The new generation of entrepreneurs in this business has sufficient expertise and skills. MEa3: The new generation of entrepreneurs in this business has a good grasp of the strategic direction of the business. MEa4: The new generation of entrepreneurs in this business has a strong ability to capture opportunities. MEa5: The new generation of entrepreneurs in this company has a strong ability to manage their employees.

	MEa6: The new generation of entrepreneurs in this business has strong interpersonal skills.
Intergenerational conflict (MEb)	MEb1: Two generations of entrepreneurs in this business have conflicting ideological views. MEb2: Two generations of entrepreneurs in this business have conflicting behavioural styles. MEb3: Two generations of entrepreneurs in this business have conflicting management styles. MEb4: Two generations of entrepreneurs in this business have conflicting business philosophies.
Organisational Commitment (MEc)	MEc1: The employees are happy that they chose this company in the first place. MEc2: The employees of this company are very concerned about the future of the company. MEc3: The employee does not want to leave the business even if there is another suitable employer.
Government Support (MO)	MO1: Government support for the sector is strong (including tax incentives, financial support, granting of privilege). MO2: The government is very supportive of the business (including tax incentives, financial support, granting privileges). MO3: The government wants the business to continue to expand (including tax incentives, financial support, granting of privileges).

4.3.2 Sample data collection

The pre-test of the scale for this study was conducted using a pre-sample survey. 155 questionnaires were distributed, of which 124 were valid, with a valid questionnaire return rate of 80%. The demographic information of the pre-tested sample is shown in Table 4.3. In general, the sample characteristics of this pre-test match well with the characteristics of family businesses. It is generally common and can be used for reliability test.

Table 4.3 Demographic information for the pre-test sample

Properties	Category	Number of people	Percentage
Gender	Male	76	61.29%
	Female	48	38.71%
Age (years)	20-30	17	13.71%
	30-40	44	35.48%
	40-50	42	33.87%
	50-60	20	16.13%
	Over 60	1	0.81%
Academic qualifications	Lower secondary and below	5	4.03%
	High school or vocational college	10	8.06%
	Tertiary or undergraduate	87	70.16%
	Master's degree students	18	14.52%
	PhD students	4	3.23%
Location	North East	1	0.81%
	East China	8	6.45%
	North China	23	18.55%
	Central China	2	1.61%

	South China	6	4.84%
	South West	81	65.32%
	Northwest	3	2.42%
Family business sector	Primary sector	15	12.10%
	Secondary industry	66	53.23%
	Tertiary sector	43	34.67%
Size of the family business	Registered capital up to 500,000	14	11.29%
	Registered capital 500,000 - 990,000	10	8.06%
	Registered capital 1-4.99 million	25	20.16%
	Registered capital 5-9.99 million	24	19.35%
	Registered capital of RMB 10 million or more	51	41.13%
	Role in the family business	Entrepreneurs in office	9	7.26%
Successor entrepreneurs		14	11.29%
Professional managers		15	12.10%
Other managers		73	58.87%
Legal counsel for family businesses		13	10.48%

4.3.3 Reliability and validity tests

In this study, descriptive statistical analyses were first conducted on the pre-test to determine the rationality of the scale for the follow-up study by analysing the mean, standard deviation, variance, skewness, and kurtosis of the observed data, and analysing the trend of concentration, dispersion, and distribution pattern of the data. The results of the analysis are shown in Table 4.4. The sample basically met the requirements of a normal distribution and could be used for the reliability test.

Table 4.4 Descriptive statistics of the sample

Title item	Sample size	Minimum	Maximum	Average	Standard deviation	Skewness	Kurtosis
Y1	124	3	5	4.03	.583	-.002	.001
Y2	124	2	5	3.98	.668	-.305	.253
Y3	124	2	5	4.03	.611	-.234	.519
Y4	124	1	5	3.93	.777	-1.033	2.430
Y5	124	2	5	3.98	.675	-.466	.669
Y6	124	2	5	3.94	.707	-.469	.454
X1	124	3	5	4.09	.598	-.031	-.196
X2	124	1	5	4.00	.710	-.970	2.637
X3	124	2	5	4.03	.637	-.411	.838
X4	124	2	5	4.14	.575	-.263	1.117
X5	124	3	5	4.16	.576	-.011	-.145
MEa1	124	2	5	3.99	.681	-.462	.600
MEa2	124	2	5	3.98	.668	-.471	.742

MEa3	124	2	5	3.94	.684	-.539	.802
MEa4	124	2	5	3.92	.632	-.328	.599
MEa5	124	2	5	3.90	.692	-.620	.920
MEa6	124	2	5	3.90	.708	-.826	1.278
MEb1	124	1	5	3.74	.953	-.605	-.247
MEb2	124	1	5	3.79	.931	-.675	-.021
MEb3	124	1	5	3.86	.868	-.715	.437
MEb4	124	1	5	3.74	.918	-.678	.290
MEc1	124	2	5	3.97	.611	-.419	1.113
MEc2	124	2	5	4.06	.621	-.456	1.177
MEc3	124	2	5	3.85	.706	-.630	.783
MO1	124	2	5	3.86	.736	-.523	.400
MO2	124	2	5	3.84	.726	-.392	.191
MO3	124	1	5	4.01	.669	-.673	2.382

4.3.3.1 Reliability test

In order to ensure the degree of consistency of the variables in the questionnaire survey across the measurement items, the reliability of the scale was tested using Cronbach's α . Good reliability is defined as a Cronbach's α coefficient greater than 0.7 for each variable (Devellis, 1996). The Cronbach's α were calculated using SPSS 26.0 and the results of the reliability test for the scale are shown in Table 4.5. The results of the reliability test showed that Cronbach's α coefficient for each variable was greater than 0.7, which proved that the reliability of the scale in this study was good.

Table 4.5 Reliability test results of the scale

Variables	Cronbach's α	Number of items
Passing on success (Y)	0.889	6
Competence for Professional Managers (X)	0.920	5
Successor Entrepreneur Competence (MEa)	0.926	6
Intergenerational conflict (MEb)	0.928	4
Organisational Commitment (MEc)	0.822	3
Government Support (MO)	0.867	3

4.3.3.2 Validity test

A validity test is an analysis of the extent to which a latent variable can correctly explain a question, and the result is an indication of the extent to which the data differs from the hypothetical value and whether the scale is consistent with the desired outcome. Validity tests generally include content validity, convergent validity, and discriminant validity.

Among them, content validity is the degree of match between the items and the latent variable, and is the degree to which the set of items can reflect the variable. Convergent validity and discriminant validity are both construct validity. Convergent validity refers to the extent to which different measures of the same concept or trait yield similar results. Discriminant validity refers to the extent to which different concepts are measured differently by different ways of measurement. Construct validity refers to the extent to which the scale is applicable to the

concepts and attributes of the theory being measured. Researchers are primarily concerned with testing for construct validity when conducting validity tests.

(1) Exploratory factor analysis (EFA)

Factor analysis is a method of validating the construct validity of a scale. Factor analysis uses the similarities and differences of concepts or traits as a criterion to aggregate or differentiate the items contained in each latent variable, resulting in a set of items with high conceptual or trait relevance.

In order to ensure the construct validity of the scale, this study applied the card sorting method at the scale development stage to validate the identity of the potential variables to which the items belonged. The scale has good construct validity as the items in the list of items have good agreement with the underlying variables to which they belong. In line with the aim of conducting scientific research, this study applied EFA to further validate the construct validity of the scale during the validity test phase.

Firstly, the Kaiser-Meyer-Olkin (KMO) and Bartlett’s test for sphericity were performed on the scales and the results are shown in Tables 4.6. KMO was 0.858, which is greater than 0.7. Bartlett’s test for sphericity was significant (Sig. < 0.001), proving that the scales meet the criteria for conducting factor analysis.

Table 4.6 KMO and Bartlett’s test

KMO sampling suitability number	.858
Approximate chi - square	2866.469
Bartlett’s test for sphericity	351
Degree of freedom	351
Sig.	.000

Secondly, based on the results of KMO and Bartlett’s test for sphericity, the factors were extracted by applying principal component analysis. In the process of factor extraction, the extraction criteria for common factor were that the characteristic root should be greater than one, and the maximum variance method was used to rotate the factors orthogonally. The results of the factor analysis of the scales are shown in Tables 4.7. A total of six common factors were extracted, namely successor entrepreneur’s competence (MEa), professional manager’s competence (X), success of intergeneration succession (Y), intergenerational conflict (MEb), government support (MO) and organisational commitment (MEc), with a total explanatory power of 76.018%, which is greater than 50%, indicating that the six selected common factors are common.

Moreover, as can be seen from Table 4.7, the factor loadings for each of the items are greater than 0.5 and the cross-loadings are all less than 0.4 (shown as null), indicating that each of the scale items falls into the corresponding latent variable. This demonstrates that the scales

have good construct validity.

Table 4.7 Results of the factor analysis

Variable	Item	Components/factor loadings						Eigenvalue	Cumulative explained variance
		1	2	3	4	5	6		
Successor Entrepreneur's Competence MEa	MEa1	.764						4.423	16.383%
	MEa2	.814							
	MEa3	.747							
	MEa4	.819							
	MEa5	.693							
	MEa6	.623							
Professional Manager's Competency X	X1		.760					4.015	31.255%
	X2		.817						
	X3		.784						
	X4		.694						
	X5		.769						
Success of intergeneration succession Y	Y1			.739				3.878	45.618%
	Y2			.724					
	Y3			.656					
	Y4			.658					
	Y5			.644					
	Y6			.717					
Intergenerational conflict MEB	MEb1				.807			3.553	58.777%
	MEb2				.915				
	MEb3				.918				
	MEb4				.858				
Government support MO	MO1					.755		2.539	68.180%
	MO2					.784			
	MO3					.618			
Organisational Commitment MEC	MEc1						.694	2.116	76.018%
	MEc2						.672		
	MEc3						.767		

Note: The rotation has converged after 7 iterations

(2) Confirmatory factor analysis (CFA)

In this study, CFA was conducted on the valid data obtained from the pre-test to check whether the convergent and discriminant validity of the items were at a good level. The CFA verifies whether there are affiliation relationships between the items and the extracted factors, whether the affiliation relationships are correct, and whether there are attribution errors or attribution to unrelated dimensions.

CFA was carried out using AMOS 23.0 software. To improve the quality of the simulations, covariance relationships were established between the residual items with correction index cardinality greater than 10 with reference to the recommended correction method, and the measurement items with factor loadings less than 0.7 (Y4, Y5 and Y6) were removed. The remaining 24 measurement items were again subjected to CFA, and the new model obtained was a better quality fit to the data, with the results shown in Figure 4.1 and Table 4.8. As shown in Figure 4.1, six first-order factors were included in the CFA model,

namely succession success (Y), professional manager’s competency (X), successor entrepreneur’s competency (MEa), intergenerational conflict (MEb), organisational commitment (MEc), and government support (MO).

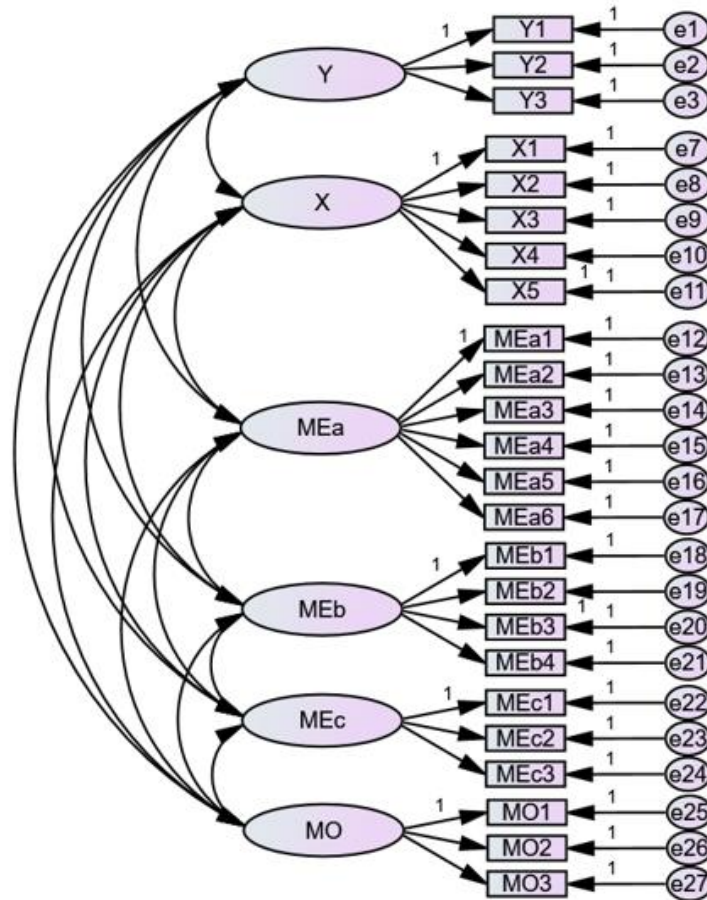


Figure 4.1 CFA chart

Table 4.8 Validation of the model fit results

Model Fitting Indicators	Indicator requirements	Statistical values	Fitting
CMIN	--	372.571	--
DF	--	224	--
CMIN/DF	< 3	1.663	Good
RMR	< 0.08	0.028	Good
GFI	> 0.8	0.811	Good
NFI	> 0.8	0.865	Good
IFI	> 0.9	0.942	Good
TLI	> 0.9	0.926	Good
CFI	> 0.9	0.940	Good
RMSEA	< 0.08	0.073	Good

From Table 4.8, it can be seen that CMIN/DF = 1.663, less than three, which meets the criteria; GFI and NFI are greater than 0.8, which is in the acceptable range; TLI, IFI and CFI are greater than 0.9, which meets the criteria; RMR = 0.028, less than 0.08, RMSEA = 0.073 less than 0.08, each fitting index meets the general research criteria, therefore this model has a good

fit.

The CFA results for each item as shown in Table 4.9 presents that the standardised factor loadings for each measurement item: succession success (Y), professional manager's competency (X), successor entrepreneur's competency (MEa), intergenerational conflict (MEb), organisational commitment (MEc) and government support (MO) are all greater than 0.6. The composite reliability is greater than 0.7 and the average variance extracted (AVE) are all greater than 0.5, indicating good convergent validity for all items in the questionnaire.

Table 4.9 CFA results

Variable	Item	Factor loadings	Composite reliability	AVE
Succession success Y	Y1	0.792	0.864	0.679
	Y2	0.849		
	Y3	0.830		
Professional manager's competency X	X1	0.816	0.923	0.706
	X2	0.888		
	X3	0.881		
	X4	0.783		
	X5	0.827		
Successor entrepreneur's competency MEa	MEa1	0.684	0.924	0.671
	MEa2	0.825		
	MEa3	0.878		
	MEa4	0.855		
	MEa5	0.784		
	MEa6	0.871		
Intergenerational conflict MEb	MEb1	0.831	0.930	0.769
	MEb2	0.930		
	MEb3	0.900		
	MEb4	0.844		
Organisational commitment MEc	MEc1	0.860	0.831	0.623
	MEc2	0.772		
	MEc3	0.730		
Government support MO	MO1	0.850	0.874	0.701
	MO2	0.936		
	MO3	0.710		

At the same time, good discriminant validity means that the arithmetic square root of the AVE of a variable is greater than its correlation coefficient with other variables (if this coefficient is negative, it is compared with its absolute value). Taking it as a criterion, the results of the discriminant validity for the pre-test are shown in Table 4.10. The values on the diagonal are the arithmetic square root of the AVE of the potential variable, and the values that lie below the diagonal represent their correlation coefficients with the other variables. The results of the test show that the arithmetic square root of AVE for all variables is greater than the correlation coefficient between the variables, indicating that the scale has good discriminant validity. Therefore, all items were retained in the formal questionnaire.

Table 4.10 Results of the discriminant validity test

	Passing on Success Y	Professional Manager Competency X	Successor entrepreneur Competence MEa	Intergenerational conflict MEB	Organisational Commitment MEc	Government support for MO
Passing on Success Y	0.824					
Professional Manager Competency X	0.628** *	0.840				
Successor entrepreneur Competence MEa	0.775** *	0.530***	0.819			
Intergenerational conflict MEB	0.231*	0.383***	0.059	0.877		
Organisational Commitment MEc	0.657** *	0.736***	0.600***	0.226*	0.789	
Government support for MO	0.611** *	0.638***	0.624***	0.416***	0.518***	0.837

4.4 Questionnaire design

4.4.1 Questionnaire preparation

Overall, the questionnaire used in this study consisted of four main sections: general introduction, screening items, main items, and background questions. The final scale used to test the hypotheses consisted of 24 items, as three items were removed from the CFA.

(1) General Introduction

The questionnaire started with a general introduction to the questionnaire, containing the objectives of the study, the content of the study, the requirements for answering the questions, the protection of privacy, the time available for answering the questions, an explanation of the terms involved in the questionnaire and acknowledgements. In this section of the questionnaire, two aspects are highlighted. First is a detailed explanation of the terms used in the questionnaire and how to answer the questions in order to ensure that the target group clearly understands the content of the questions. Second is an emphasis on the fact that respondents are not required to disclose their identity in the process of answering the questionnaire in order to reduce the privacy concerns of the target group.

At the same time, respondents' answers were kept strictly confidential, e.g. "You do not have to identify yourself in the survey and your answers will be kept strictly confidential". In

this section of the questionnaire, it is stressed that “this survey is for academic purposes and there are no right or wrong answers to the survey questions” in order to reduce the risk of respondents being influenced by social expectations and other factors that may cause bias in their responses.

(2) Screening items

The target sample group for this questionnaire is individuals with in-depth knowledge of family businesses, including incumbent entrepreneurs, successor entrepreneurs, professional managers, business executives and legal advisors to businesses, and who work in businesses that are undergoing or have undergone intergenerational succession with the involvement of professional managers.

Based on this, three questions were set as screening questions to identify the target sample.

(1) “Have you ever worked in or for a family business in the role of an executive or legal advisor?”; (2) “Is the family business you work for or serve going through or have you ever gone through intergenerational succession?” (3) “Was there any involvement of professional managers in the intergenerational succession of the business?” If the respondent gives a negative answer to any of these three questions, then the respondent is not part of the target sample for this survey and the question is closed immediately. Only if the respondent answered yes to all three questions could they continue to answer the main part of the question.

(3) Main items

Based on the conceptual model of the study, the main items of the questionnaire are arranged in the sequence of independent to dependent variables. The items measuring the same variable are arranged together, with the items of each variable arranged in order of content from superficial to in-depth and from easy to difficult to understand.

(4) Background questions

The background questions focused on the industry, region, and demographic characteristics of the respondent’s work. The items investigated information related to the respondent’s own personal situation. These questions can easily arouse the resentment of respondents, which in turn causes respondents to give up their answers or cause deviations in their responses to the main items of the questionnaire. Therefore, these two types of questions were placed at the end of the questionnaire.

4.4.2 Questionnaire response

All the main items in the questionnaire of this study used the Likert 5-point scale. Rensis Likert

first used the 5- point scale in empirical research in 1932. In the more than 70 years since then, the validity of the 5-point scale has been confirmed by numerous studies in the academic community. Although many scholars in econometrics today advocate the use of 7- or 9- point scales, empirical studies have shown that the mean, variance, skewness, and kurtosis values obtained from 5-, 7- and 9- point scales are very similar after a simple transformation of the data.

Furthermore, the 5- point scale is clearer and more concise than the 7- or 9-point scales. It is more practical as it can reduce the time and effort spent by respondents in answering the survey. For this reason, the Likert 5-point scale was finally adopted for this study. In this questionnaire, there were instructions reminding the respondents to read the questions carefully and to respond objectively according to their actual situation, with ratings of “strongly disagree”, “disagree”, “neither disagree nor agree”, “agree” and “strongly agree”.

4.5 Data collection

In this study, structural equation modelling (SEM) was used to test the hypotheses. In terms of determining the sample size for this study, it was suggested that the sample size for most SEM studies should be in the range of 200 to 500. It was suggested that a sample size of 200 or more is preferable for SEM. It is also suggested that the sample size of the study should depend on the ratio of measurement items to the sample size, with a ratio of 1:5 or higher being preferred, and 1:10 being the best. Based on the above arguments, the sample size for this study was determined to be between five to ten times the number of items in the questionnaire. The formal questionnaire survey contained a total of 24 measurement items, and it was expected that a total of 240 questionnaires would be distributed.

Managers (including entrepreneurs) and legal advisors who are currently or have worked in family businesses were selected as respondents for this study, which was conducted in the form of an online survey. The survey for this study was conducted over a 27-day period from 1 December 2021 to 27 December 2021, with 240 questionnaires returned. The number of valid questionnaires after data screening was 195 according to following criteria. a). questionnaires that did not meet the needs of the sample, i.e., questionnaires that were automatically removed by screening questions; b). questionnaires that were not answered carefully, including questionnaires that selected the same answer for more than five consecutive questions, or questionnaires that were answered multiple times using the same IP address). The returning rate was 81.25%. The demographic information of the sample for the formal survey is shown in

Table 4.11.

Table 4.11 Demographic information of the sample for the formal survey

Properties	Category	Number of people (persons)	Percentage (%)
Gender	Male	103	53.09
	Female	91	46.91
Age (years)	20-30	25	12.89
	30-40	56	28.87
	40-50	67	34.54
	50-60	44	22.68
	Over 60	2	1.03
Academic qualifications	Lower secondary and below	32	16.49
	High school or vocational college	39	20.1
	Tertiary or undergraduate	103	53.09
	Master's degree students	14	7.22
	PhD students	6	3.09
Location	North China	13	6.7
	North East	1	0.52
	East China	6	3.09
	Central South	30	15.46
	South West	139	71.65
	Northwest	5	2.58
Family business sector	Primary sector	57	29.38
	Secondary industry	77	39.69
	Tertiary sector	60	30.93
Size of the family business	Registered capital under 1 million	79	40.72
	Registered capital 1-4.99 million	36	18.56
	Registered capital 5-9.99 million	32	16.49
	Registered Capital \$10 million - \$99.99 million	36	18.56
	100 million and above	11	5.67
Role in the family business	Incumbent entrepreneurs	22	11.34
	Successor entrepreneurs	40	20.62
	Professional managers	33	17.01
	Other managers	82	42.27
	Legal counsel for family businesses	17	8.76

4.6 Chapter summary

Based on the conceptual model about the mechanism of professional manager's impacts on family business succession constructed in the previous section, this chapter elaborates on the implementation methods, scale development, questionnaire design and data collection of the

empirical study used in this study, which covers the following three main aspects.

(1) The first part is the development of the research scale. The choice of research methods for this study and the questionnaire survey are firstly described. Secondly the scale development methods selected for this study, the iteration of exploratory method, and the card sorting are described. Finally, based on the variables in the conceptual model, this study combined the results of the coding analysis of the grounded theory and the results of previous studies to extract the items for each variable, and proposed the initial measurement scale for this study after three rounds of expert review, feedback from industry experts and verification by subject area experts. Then this study applied the card sorting to test construct validity during the scale development.

In order to ensure the accuracy of the measurement scale, the statistical method of CFA was chosen to validate the reliability of the scale through small sample data. The CFA results showed that Cronbach's α for each item was greater than 0.7, indicating that the items had good reliability. The CFA results showed that the items fell into the corresponding latent variables. This demonstrated that the scale had good construct validity.

In this study, the conceptual model was modified in the CFA by removing three items that had low factor loadings with the latent variables. The standardised factor loadings for each of the six latent variables in the revised model were not less than 0.7, and the arithmetic square root of the AVE for all latent variables was greater than the correlation coefficient between the latent variables, indicating that the items had good convergent and discriminant validity. Therefore, 24 items were retained in the formal questionnaire.

(2) The idea of the questionnaire design is presented. This study adopted a scientifically sound approach to the design of the questionnaire. The questionnaire was designed with the aim of improving the quality of the survey data, and the questions on each variable were laid out in a logical order from surface to deep, from easy to difficult to understand, and the questions on the respondents' background were placed at the end of the questionnaire to avoid interference with the respondents' responses due to their privacy concerns. The questionnaires were administered using a 5-point Likert scale for each variable.

(3) This chapter describes the data collection of the target sample for the formal survey. This section describes the selection of the target sample, the designation of the sample size, the collection method, and the collection of the data for the formal survey of this study.

Chapter 5: Empirical Analysis

This chapter provides an empirical analysis of the conceptual model about the impact mechanism and the hypotheses. First, the statistical analysis methods and statistical analysis tools used for the empirical analysis are briefly described. Then, the formal sample data will be validated through a reliability test to ensure the reliability of the sample and the validity of the scale. Finally, a structural equation model (SEM) was developed based on the conceptual model and hypotheses about the mechanism of professional manager's impacts on family business succession proposed in the previous chapters, to analyse the fitness of the model and to test the hypotheses.

5.1 Methods of statistical analysis

As a validation method, SEM integrates two statistical methods, path analysis and factor analysis, while testing the correlations between the variables in the model. SEM has been used as a statistical method in scientific research since the 1980s and is still widely used in research in all areas of the social sciences today. SEM is more suitable for testing complex models, so has advantages as a validation method for conceptual models than other validation methods. The conceptual model in this study contains a total of one independent variable, one dependent variable, three mediating variables and one moderating variable, which is complicated. Therefore, it is appropriate for this study to apply SEM to test the rationality of the hypotheses and conceptual model of this study.

5.2 Descriptive statistics and reliability and validity tests of the sample

After the pre-test and adjustment of the scales in the previous chapter, a more rational formal questionnaire was designed for this study. In this section, this conceptual model will be tested and analysed through the use of formal and valid data.

5.2.1 Descriptive statistics of the sample

Before the formal data analysis, descriptive statistical analysis was conducted on the sample

data in this study to ensure that the sample data was reasonable and to capture the basic characteristics of the sample. Descriptive analysis is mainly a test of the characteristics of the sample and the relationship between the variables.

This study mainly understood the concentration trend of the sample to determine whether the variables are too concentrated through the mean; understood the dispersion degree of the sample to determine whether the variables are too dispersed through the standard deviation and variance; and understood the distribution pattern of the sample through the skewness and kurtosis to determine whether the sample is normally distributed. The results of the descriptive statistics of the sample in this study are shown in Table 5.1. The sample data basically met the requirements of a normal distribution and could be used for reliability testing.

Table 5.1 Results of descriptive statistics for the sample

Title item	Sample size	Minimum	Maximum	Mean	Standard deviation	Skewness	Kurtosis
X1	195	3	5	4.06	.594	-.015	-.144
X2	195	1	5	4.04	.676	-.750	2.103
X3	195	2	5	4.01	.700	-.372	.135
X4	195	2	5	4.12	.585	-.177	.534
X5	195	3	5	4.15	.589	-.046	-.252
MEa1	195	2	5	3.96	.653	-.301	.344
MEa2	195	2	5	3.98	.677	-.384	.379
MEa3	195	2	5	3.91	.702	-.420	.350
MEa4	195	2	5	3.92	.661	-.236	.142
MEa5	195	2	5	3.91	.682	-.374	.360
MEa6	195	2	5	3.94	.678	-.625	1.040
MEb1	195	1	5	3.64	.982	-.402	-.567
MEb2	195	1	5	3.64	1.008	-.408	-.669
MEb3	195	1	5	3.69	.962	-.507	-.367
MEb4	195	1	5	3.64	.971	-.455	-.340
MEc1	195	2	5	3.98	.613	-.263	.569
MEc2	195	2	5	4.05	.645	-.276	.237
MEc3	195	2	5	3.86	.718	-.455	.335
MO1	195	2	5	3.87	.713	-.405	.259
MO2	195	2	5	3.86	.722	-.365	.127
MO3	195	1	5	3.98	.646	-.449	1.577
Y1	195	2	5	4.01	.609	-.143	.205
Y2	195	2	5	3.95	.679	-.236	-.007
Y3	195	2	5	3.98	.613	-.263	.569

Note: To enable consistent use of positive correlations for hypothesis testing in subsequent regression analyses, the values of the question items measuring intergenerational conflict (MEb1-MEb4) were obtained by subtracting the value of each question item from 6 as a proxy value.

5.2.2 Reliability and validity tests

(1) Reliability test

In this study, the reliability of the scale was tested using Cronbach's α , which means that Cronbach's α coefficient for each variable is greater than 0.7 (Devellis, 1996). The results of

Cronbach's α coefficient were calculated using SPSS 26.0, and the results of the reliability test are shown in Table 5.2, which indicates that the reliability of the scale is good.

Table 5.2 Reliability test results of the scale

Variables	Cronbach's α	Number of items
Professional Manager's competence (X)	0.898	5
Successor entrepreneur's competence (MEa)	0.916	6
Intergenerational conflict (MEb)	0.938	4
Organisational Commitment (MEc)	0.813	3
Government Support (MO)	0.850	3
Succession success (Y)	0.840	3

(2) Validity test

In this study, the validity of the scale was verified by analysing three indicators: content validity, convergent validity, and discriminant validity. In terms of the content validity of the scale, the scale was developed based on the textual data from the in-depth interviews conducted by grounded theory. The initial scale was developed through iterative discussions with expert scholars. Industry experts were then selected to conduct two rounds of card grouping of this scale using a card sorting method to finalise the final scale. A number of experts were invited to make adjustments to the scale to ensure that it had good content validity, and the scale was pre-tested with a small sample of data, which showed that it had good reliability and validity.

In terms of the convergent and discriminant validity of the scale, this study applied CFA to the data obtained from the formal survey using AMOS 23.0 software. As shown in Figure 5.1, six first-order factors were included in the CFA model, namely professional manager's competence (X), successor entrepreneur's competence (MEa), intergenerational conflict (MEb), organizational commitment (MEc), government support (MO), and succession success (Y).

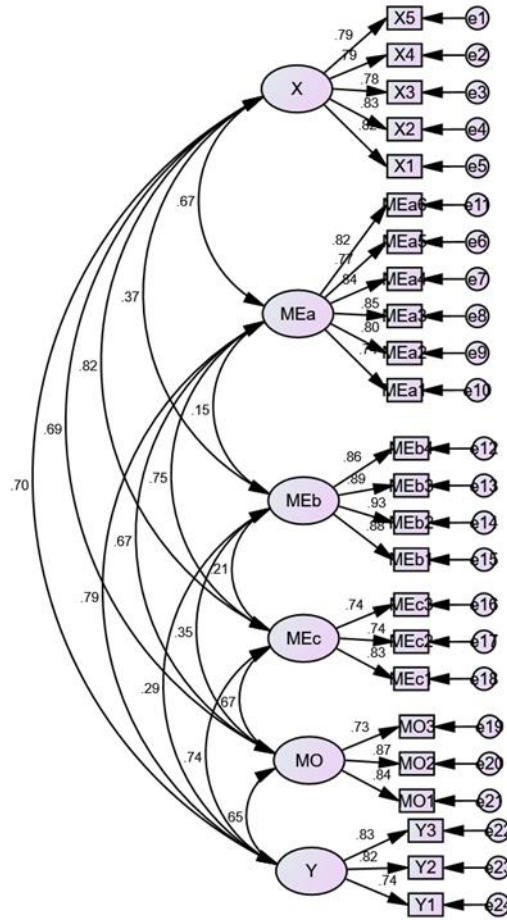


Figure 5.1 CFA model

The results of the fit of the validation model are shown in Table 5.3. The results show that the model fits well.

Table 5.3 Fit results of the validation model

Fitting Indicators	Indicator requirements	Statistical values	Fitting
CMIN	--	531.153	--
DF	--	237	--
CMIN/DF	< 3	2.241	Good
RMR	< 0.08	0.024	Good
GFI	> 0.8	0.815	Good
NFI	> 0.8	0.860	Good
IFI	> 0.9	0.917	Good
TLI	> 0.9	0.903	Good
CFI	> 0.9	0.916	Good
RMSEA	< 0.08	0.080	Good

The main criteria for assessing the convergent validity of the questionnaire were the standardised factor loadings and the mean extracted variance. The CFA results are shown in Table 5.4, which indicated that the scale has good convergent validity.

Table 5.4 CFA results

Variables	Item	Factor loadings	CR	AVE
Passing on Success Y	Y1	0.740	0.8418	0.6402
	Y2	0.824		
	Y3	0.833		
Professional Manager Competency X	X1	0.822	0.9001	0.6433
	X2	0.832		
	X3	0.778		
	X4	0.792		
	X5	0.785		
Successor entrepreneur Competence MEa	MEa1	0.736	0.9167	0.6477
	MEa2	0.804		
	MEa3	0.853		
	MEa4	0.836		
	MEa5	0.770		
	MEa6	0.824		
Intergenerational conflict MEb	MEb1	0.885	0.9387	0.7931
	MEb2	0.927		
	MEb3	0.889		
	MEb4	0.860		
Organisational Commitment MEc	MEc1	0.831	0.8163	0.5977
	MEc2	0.741		
	MEc3	0.744		
Government support for MO	MO1	0.838	0.8553	0.6646
	MO2	0.871		
	MO3	0.730		

The results of the differential validity tests for the study scales are shown in Table 5.5. The numbers on the diagonal in Table 5.5 are the arithmetic square roots of the mean variance extracted for all the latent variables and all exceed the correlation coefficients between the latent variables. The results demonstrate that the latent variables in the conceptual model are significantly different so the scales had good discriminant validity.

Table 5.5 Results of the discriminant validity test

	Succession Success Y	Professional Manager's Competency X	Successor Entrepreneur's Competence MEa	Intergenerational conflict MEb	Organisational Commitment MEc	Government support MO
Succession success Y	0.800					
Professional Manager's Competency X	0.700	0.802				
Successor Entrepreneur's Competence MEa	0.792	0.667	0.805			
Intergenerational conflict MEb	0.285	0.366	0.149	0.891		

Organisational Commitment	0.740	0.716	0.752	0.209	0.773	
MEc						
Government support MO	0.651	0.686	0.671	0.347	0.667	0.815

5.3 Model fitting and hypotheses test

This section uses AMOS 23.0 software to construct and analyse a SEM of the conceptual model about the mechanism of professional manager’s impacts on the success of family business succession. The hypotheses are then tested, and the results of the validation are reported.

5.3.1 Structural equation modelling

Based on the conceptual model and relational hypotheses about the impacts of professional manager on the success of family business succession, a SEM as shown in Figure 5.2 was constructed and used to test the hypotheses of the direct and mediating impacts other than the moderating role of government support.

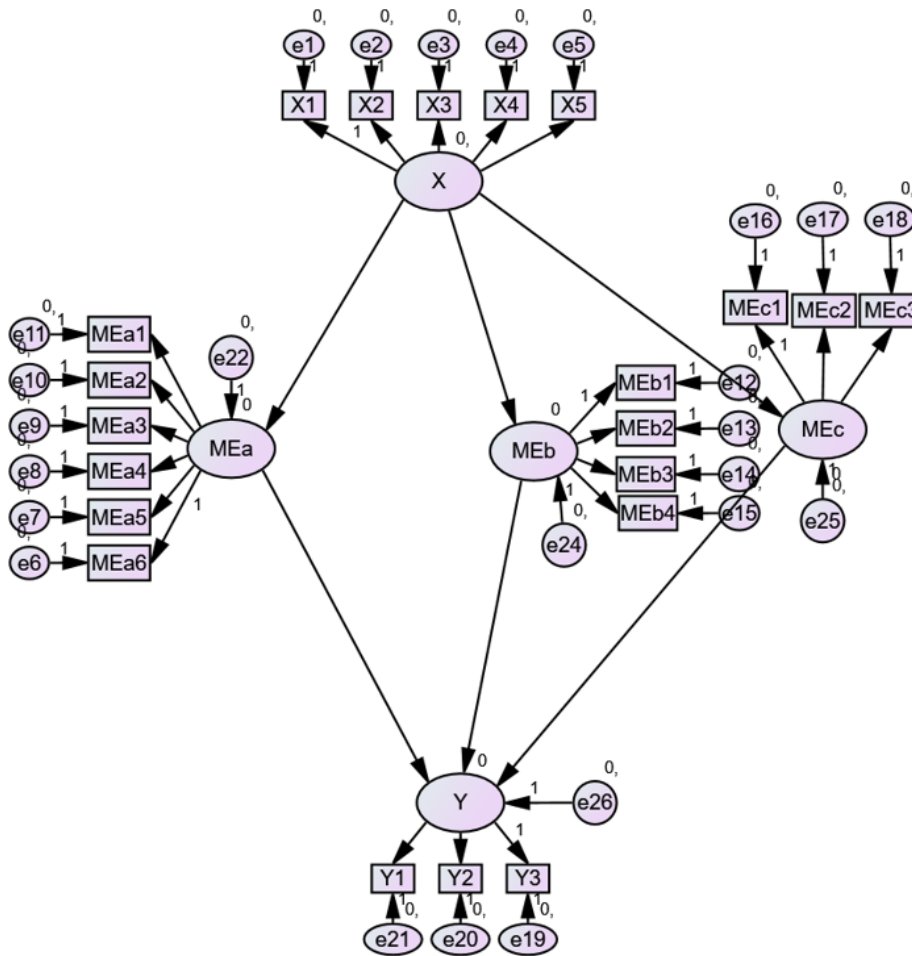


Figure 5.2 Path diagram of the initial SEM

5.3.2 Model analysis and hypothesis test

Figure 5.3 and Table 5.6 show the results obtained after applying AMOS 23.0 software to test the initial SEM for this study. The results show that each of the fit indicators met the general research criteria and that the model has a good fit.

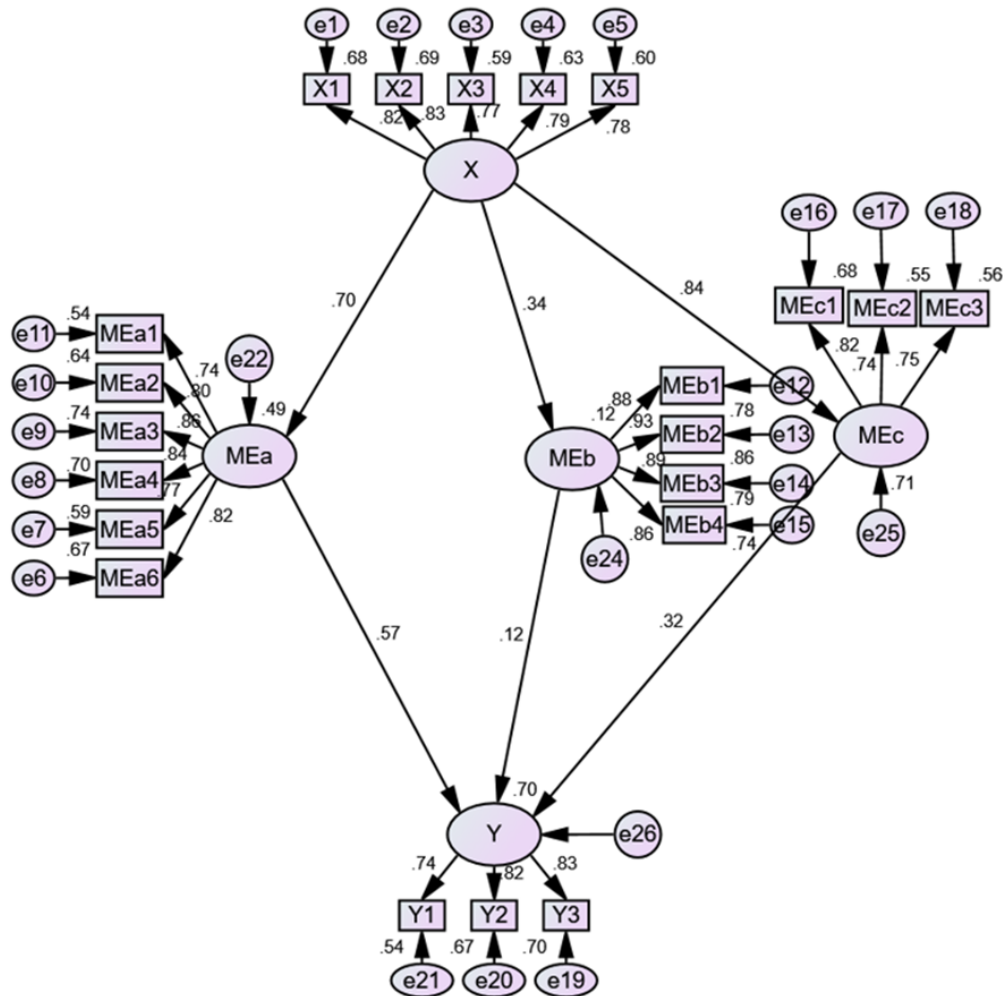


Figure 5.3 Direct effects test model

Table 5.6 Initial SEM fitting results

Model Fitting Indicators	Indicator requirements	Statistical values	Fitting
CMIN	--	390.525	--
DF	--	181	--
CMIN/DF	< 3	2.158	Good
RMR	< 0.08	0.032	Good
GFI	> 0.8	0.838	Good
NFI	> 0.8	0.881	Good
IFI	> 0.9	0.932	Good
TLI	> 0.9	0.921	Good
CFI	> 0.9	0.932	Good
RMSEA	< 0.08	0.077	Good

The results of the hypothesis test for this study, obtained after testing the structural model using AMOS 23.0, are shown in Table 5.7.

Table 5.7 Initial SEM test results

Paths	Standardisation factor	S.E.	C.R.	P	hypothesis	Test results
Professional managers' competency -> Successor entrepreneur's competency	0.699	0.087	9.113	***	H1	By
Professional managers' competency -> Intergenerational conflict	0.341	0.135	4.489	***	H2	By
Professional manager's competence -> Organisational commitment	0.842	0.081	10.738	***	H3	By
Successor entrepreneur's competence -> The success of intergenerational succession	0.566	0.074	7.108	***	H4	By
Intergenerational conflict -> The success of intergenerational succession	0.118	0.033	2.077	*	H5	By
Organisational commitment -> The success of intergenerational succession	0.317	0.080	4.018	***	H6	By

Note: *, p<0.05; **, p<0.01; ***, p<0.001

5.3.3 Mediation test

This study adopted Bootstrapping to verify the mediating role played by successor entrepreneur's competency, intergenerational conflict, and organisational commitment in the impacts of professional manager's competency on the success of intergenerational succession. As the mediating role assumed in this study is a fully mediating role, a new direct effect path, i.e., the direct path from professional manager's competency to the success of intergenerational succession, was added to the SEM test using AMOS 23.0 to hypothesise a direct relationship between the two, as shown in Figure 5.4. In the next step, the Bootstrap was run 5000 times in AMOS 23.0 to produce confidence intervals at the 95% probability level.

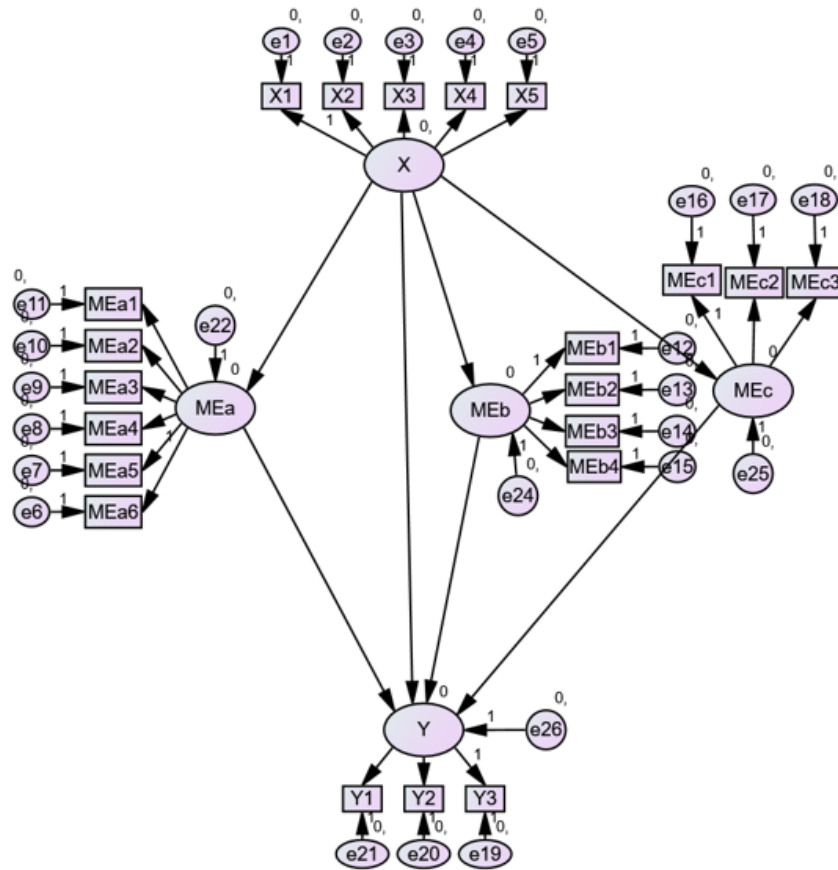


Figure 5.4 Mediation test model

Mediation test results show that:

(1) The standardised effect value for the total impacts of professional managers on the success of intergenerational succession was 0.720, with a confidence interval of [0.563-0.841] at the 95% probability level. The confidence interval did not include 0, and the total effect was established, indicating that a direct or indirect effect exists.

(2) The standardised effect value for the direct impacts of professional managers on the success of intergenerational succession was 0.108, with a confidence interval of [-0.343-0.545] at the 95% probability level. The confidence interval included 0. The direct effect did not hold. The fact that the total effect holds but the direct effect did not suggest that the two variables were fully mediated by some mediator.

(3) The mediating role of successor entrepreneur's competence was established through the standardised effect value of 0.381 for the indirect effect of successor entrepreneur's competence on the success of intergenerational succession, with the first and second half confidence intervals for the indirect effect at the 95% probability level not including 0 (H7 passes the test).

(4) The standardised effect value for the indirect effect of successor entrepreneur's

competence on the success of intergenerational succession through intergenerational conflict is 0.036, and the mediating role of intergenerational conflict holds at the upper and lower half confidence intervals of the indirect effect at the 95% probability level (hypothesis H8 passes the test).

(5) The standardised effect value for the indirect effect of successor entrepreneur's competence on the success of intergenerational succession through organisational commitment is 0.036, with a confidence interval of [0.211, 0.711] in the lower half at the 95% probability level and a confidence interval including 0. The mediating effect of organisational commitment did not hold (H9 did not pass the test).

5.3.4 Moderation test

The conceptual model in this thesis argued that government support moderates the impacts of successor entrepreneur's competence, intergenerational conflict and organisational commitment on the success of intergenerational succession. It can be interpreted that successor entrepreneur's competence, intergenerational conflict and organisational commitment are more likely to contribute to the success of intergenerational succession in family businesses when there is a higher level of government support.

This study applied SPSS 23.0 to test the above moderation effect. As an example, the moderating role of government support in successor entrepreneur's competency and the success of intergenerational succession was tested. The steps of the moderation test are as follows. In the first step, successor entrepreneur's competency was used as the independent variable and the success of intergenerational succession was used as the dependent variable for regression analysis. In the second step, successor entrepreneur's competency and government support were used as the independent variables and the success of intergenerational succession was used as the dependent variable for regression analysis. In the third step, a regression analysis was conducted with successor entrepreneur's competency, government support, and the interaction term of the two as the independent variables while the success of intergenerational succession as the dependent variable. If the test results of all three regression analyses were significant, the moderating effect was valid.

According to the above test steps, the moderating role of government support in the relationship between successor entrepreneur's competency, intergenerational conflict and organizational commitment and the success of intergenerational succession was tested. The test results showed that the three interaction items of "successor entrepreneur's competency *

government support”, “successor entrepreneur’s competency * government support” and “organization commitment * government support” have no significant correlations with the dependent variables ($P > 0.05$). The results showed that government support has no significant moderating effect on the relationship between successor entrepreneur’s competence, intergenerational conflict, organizational commitment, and intergenerational succession. H10, H11, and H12 all fail the test.

5.4 Chapter summary

This chapter empirically tests the conceptual model about the mechanism of professional managers’ impacts on the success of intergenerational succession in family businesses as well as the hypotheses proposed in the previous section and reports the results of the empirical tests.

(1) The empirical study methods and statistical software used in the empirical tests are described. Due to the complexity of the conceptual model and the superiority of the structural equation model, the structural equation model was chosen to test the conceptual model and relational hypotheses of this study. The AMOS 23.0 software was chosen as the tool for the empirical analysis due to its ease of use and its powerful features.

(2) Validation factor analysis and reliability tests were conducted on the research scales used in this study. First, descriptive statistical analysis was conducted on the survey book. The results of the analysis showed that the means, standard deviations, skewness and kurtosis of the sample statistics met the statistical requirements and proved that the sample data could be used in the formal data analysis; secondly, the reliability of the research scale was tested, and the Cronbach’s alpha coefficient of each question item was greater than 0.7, indicating that the reliability of the research questionnaire was good. The results of the validation factor analysis showed that the indicators of this study model were within reasonable values, which proved that the model had a good degree of fit and passed the test.

The standardised factor loadings of each question item on the variable of interest were all greater than 0.7 and AVE values were all greater than 0.6, demonstrating the good convergent validity of this study’s questionnaire. The arithmetic square root of AVE for all latent variables was greater than the correlation coefficients between the latent variables, thus the discriminant validity of the model in this study was good.

(3) The model fits and hypotheses of this study were verified. Firstly, the initial SEM was constructed and tested for goodness of fit based on the conceptual model and the hypotheses of this study. Secondly, the direct-action relationship hypotheses of the initial SEM were tested,

and the results showed that the direct-action relationship hypotheses were significant and passed the hypothesis tests (H1-H6).

Again, AMOS 23.0 was used to verify the mediating effects of “successor entrepreneur’s competence”, “intergenerational conflict”, and “organisational commitment”. The results presented that the mediating role of “organisational commitment” which did not pass the test (H9), while all the other mediating effect were found to be significant and passed the test (H7 and H8).

Finally, SPSS 23.0 was used to test the moderating role of “government support” in the relationship between successor entrepreneur’s competence, intergenerational conflict and organisational commitment and the success of intergenerational succession, and the results showed that the hypotheses of the moderation effect were not valid (H10 to H12).

Chapter 6: Conclusions, Implications, and Prospects

The intergenerational succession of family businesses has always been a topic of common concern to scholars all over the world. As an important role in the intergenerational succession process of family businesses, studies on the impact of professional managers on the intergenerational succession process of family businesses is still insufficient. Based on this, this study adopted RBV, principal-agent theory, entrepreneur theory and stakeholder theory as the theoretical basis, and explored the impacts of professional managers on intergenerational inheritance from the microscopic perspective of family business members (incumbent entrepreneurs, successor entrepreneurs, professional managers) as the research object.

This study focused on three main research contents. First, this study constructed the conceptual model based on in-depth interviews with members of the family business, and preliminarily constructed the impact mechanism of professional managers on the intergenerational secession of family businesses (in Chapter Three). Second, this study conducted a theoretical analysis of the hypotheses in the conceptual model based on the RBV, principal-agent theory, entrepreneur theory, and stakeholder theory, as well as the conclusions of previous studies and the results of interviews in this research (in Chapter Four). Third, this study collected data through a questionnaire survey of managers (including entrepreneurs) and legal advisors who have worked in family businesses. The first round of surveys was used for scale development and the second round of surveys were used to test conceptual model (in Chapter Five and Chapter Six).

In this chapter, the conclusions of this study will be summarized first, and then the theoretical contributions of the research will be extracted based on the research conclusions. Some managerial insights that are helpful to the managers of family businesses will be put forward. Finally, the remaining limitation of this study and prospects for future research directions will be pointed out.

6.1 Research conclusions

This study starts from the intergenerational succession of family businesses, and takes professional managers as the research perspective. Based on classical theories such as RBV, principal-agent theory, entrepreneurial theory, stakeholder theory as well as a review and

analysis of relevant literature, this thesis applied the qualitative research method of grounded theory. Combining the results of data analysis from in-depth interviews and the results of previous studies, a mechanism of the influence of professional managers on the intergenerational succession of family businesses was constructed, and its conceptual model and hypotheses were tested. Research conclusions are as follows:

Firstly, based on the existing studies and related theories, this study applied the research method of grounded theory, conducted in-depth interviews with 11 persons in charge of six family businesses, and interview records were made accordingly. Based on the transcription, six main domains were extracted, namely professional manager's competence, successor's entrepreneur's competence, intergenerational conflict, employee's organisational commitment, government support, and the success of intergenerational succession, through open coding, axle coding, selective coding, and theoretical saturation tests. The concepts associated with these six domains were defined.

Secondly, based on data from in-depth interviews and previous research, this study went through the steps of variable extraction, initial scale design, expert discussion, card sorting and small sample survey to obtain a research scale with high reliability and validity. A pre-test was conducted with data collected through a questionnaire survey of 124 family business entrepreneurs and legal advisors. The scale contained a total of 24 items, including three on intergenerational success of succession, five on professional manager's competency, six on successor entrepreneur's competency, six on intergenerational conflict, four on organisational commitment, and three on government support. This provided a useful scale for a future empirical study on professional managers and family businesses.

Finally, this study applied the research method of grounded theory to finally construct a conceptual model of the influence mechanism of professional managers on the intergenerational succession of family businesses. Based on the combination of in-depth interview data and the results of previous studies, the hypotheses of direct, indirect, and moderating relationships in the mechanism of professional managers' competence on the success of intergenerational succession were proposed. 195 family business entrepreneurs and legal advisors were surveyed by means of an online questionnaire to obtain the data required for the study. Empirical data collected was analyzed using SEM, and the conceptual model of this study was tested.

The results of the empirical analysis of this study show that: a). The employment of professional managers by family businesses contributes to the success of intergenerational succession. b). professional managers can indirectly contribute to the success of

intergenerational succession by developing the competencies of successor entrepreneurs; c). Professional managers can indirectly contribute to the success of intergenerational succession by alleviating the conflict between two generations of entrepreneurs.

6.2 Managerial implications

This study found that the involvement of professional managers plays an important role in the intergenerational succession process and that competent professional managers can contribute to the success of intergenerational succession. From this perspective, this study draws the following managerial insights.

Firstly, family businesses that will face intergenerational succession in the future can consider hiring professional managers to help tide over the transition between two generations of entrepreneurs. Peter Dulac, the father of modern management, once put forward that in order for a family business to survive and maintain effective operation, no matter how many family members there are, no matter how outstanding they are, there must be at least one non-family member in the top executive team. He proposed to introduce the principal-agent system into the management system of the family business, and optimize the decision-making structure of the business with the help of professional managers, which can make the family business more flexible and innovative.

Professional managers usually come from outside the company and are brought in as social recruits, and the timing of their introduction varies for different types of businesses. For family businesses, the introduction of professional managers is more flexible. Usually, during the period of rapid development, the knowledge and management skills of the founders can hardly meet the needs of the rapid development of the businesses, so it is urgent to introduce talents with rich management experience to steer the rapid development of the businesses. In addition, when a family business enters a stable phase, the scale of its operation is stable, and the financial donors may choose to bring in professional managers to manage the business for them in order to reduce their own burden.

Secondly, incumbent entrepreneurs of a family business should pay attention to all aspects of competence when selecting professional managers. Jiang Jun, vice president of HRS Asia Pacific, once said that a professional manager must have a correct and good attitude, which is always earning money by competency. This is the fundamental recognition that a professional manager should establish a foothold, develop, and achieve results in a family business. Therefore, family businesses should create a selection mechanism and exit mechanism of “the

capable people having the position, the incapable people leaving the position”. In order to hire excellent professional managers, we should adhere to the principles of openness, equality without sticking to one pattern. Improving the evaluation system for professional managers, establishing a clear reward and punishment mechanism, and eliminating poor-performing professional managers.

How to make talents stand out requires a matching selection system. For example, Vanke Group stipulated five aspects that professional managers need to have, including management competency, influence competency, work concept, professional skills and professional ethics. In addition, attention should be paid to the background of the selected professional manager via conducting an in-depth investigation. Through background investigation, the educational background, work experience, past performance, comprehensive evaluation, professional conduct and other information of the professional manager can be verified, so that employers can make a comprehensive evaluation of the professional manager’s ability and character.

The well-known professional manager, Tang Jun, fabricated his academic credentials, which is a typical case of the lack of investigation. This incident provides an important inspiration for the professional manager system. On the surface, the case seems to be a mistake in the description of his personal academic degree, but essentially it reflects the lack of concern for the integrity of individuals and the over-reliance on academic diplomas in society, while ignoring the background investigation of the actual working ability of professional managers. Therefore, when hiring professional managers, family businesses should improve their talent selection and recruitment criteria, and the integrity is indispensable at all times.

Finally, family businesses that have hired professional managers should adopt reasonable incentives to motivate them to improve their competence. The training of professional managers is a systematic project, which requires professional managers to have sufficient professional quality themselves, but also requires businesses to provide the necessary environment, incentives, and evaluation system to nurture professional managers. Compared with the “supervision mechanism”, the “incentive mechanism” is a positive management method, which not only encourages professional managers to work actively, but also encourages them to take the goals of shareholders (enterprises) as their inner pursuits. Whether it is for professional managers or enterprises, this is a satisfactory result and a win-win strategy. In a market economy, the most important incentive is material. Material incentives can be provided to professional managers in terms of annual salary, equity incentive mechanism and allowance plan in both long and short terms.

At the same time, family businesses should also establish a more complete and enriched incentive mechanism from the perspective of facilitating the long-term development of professional managers. For example, they can improve the overall level of professional managers and recognise their social value from the perspective of fair incentive and social recognition through value concept incentives.

6.3 Research limitations and prospects

This study still has certain limitations due to the time factor, environmental factors and the limitations of the researcher's own ability.

First, this study is mainly the main line study on the mechanism of professional managers' influence on the intergenerational succession of family businesses. The mediating and moderating factors were only selected from the core factors obtained in the interviews, without considering the situation that other mediating and moderating factors may still exist, such as the business conditions of the businesses and the impacts of the policy environment. Therefore, this study lacks comprehensiveness.

Second, the sample group for this study is limited. Because the author of this study works in Sichuan Province, China, the proportion of interviewees from Sichuan Province was high. The sample group has certain limitations. In addition, in the research on the relationship between professional managers and the success of intergenerational succession of family businesses, the research data were obtained by means of interviews and questionnaires, proposing requirements of the respondents' occupation and job. Therefore, the sample size was relatively small.

Finally, as the control variables are not part of the main research variables in this thesis, even though the interviewees mentioned some other control variables that affect intergenerational succession, no in-depth research and analysis of the control variables were carried out because this study focuses on the influence of professional managers. This study provides a certain theoretical basis for future related research, and subsequent research can be carried out from the following three points of view.

a). Inclusion of multiple influencing factors for discussion. This thesis focuses on the relationship between professional managers' competence and the success of intergenerational succession in family businesses. Future studies can be enriched on this basis by introducing other mediating or moderating factors that may exist in the relationship. For example, from the perspective of enterprises, there are macro factors that can affect the intergenerational

succession of family businesses, such as policy support, market environment, succession timing, consumer preferences.

b). Expand the sample size, conduct cross-cultural research or change the research methodology. In future studies, the sample size can be expanded on the basis of the conceptual model as well as the hypotheses of this study to increase the coverage of the population in terms of age, occupation, and educational background to make the results more convincing and common. It may also be possible to expand the sample to cover a wider range of regions and to conduct cross-cultural studies to compare the results of data analysis across different cultures, which may reveal the role that culture plays.

c). Adopt more cutting-edge research methods to make up for the problem of homology bias. In future research, web crawlers and big data analysis methods can be used to collect a large amount of objective data related to family businesses for dynamic analysis, in order to explore the changes in the impacts of various factors in the whole process of intergenerational succession and the comparison of different factors in enterprises with different characteristics.

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Annex A: Outline of Interviews

1. How do you think you can judge the success of intergenerational succession of a family business?

- (1) Are both generations of entrepreneurs satisfied?
- (2) Business profitability improved?
- (3) Improved overall competitiveness of the enterprise?
- (4) Recognised by the government or the Chamber of Commerce?
- (5) Are there any other significant manifestations?

2. Do you think the involvement of professional managers can contribute to the success of intergenerational succession?

- (1) If so, is it a direct or indirect facilitation, or both?

Note: Direct contribution in this interview means that the professional manager can, to some extent, directly influence the success of the company's succession. Indirect contribution means that the professional manager can indirectly influence the success of the company's legacy by influencing all aspects of the company.

3. How do you think the involvement of professional managers affects the success of intergenerational succession?

(1) Can second generation entrepreneurs be influenced to promote successful succession? For example, by increasing their willingness to succeed? Raising their confidence in succession? Develop their succession skills? Help them to establish authority?

(2) Can it lead to institutional innovation in the company and thus promote a successful legacy?

(3) Can the conflicts between the two generations be reconciled and thus contribute to the success of the succession? (What are the conflicts in the succession process and will they be resolved by the involvement of professional managers?)

- (4) Are there other ways of impact?

4. Are there any other factors that can affect the success of intergenerational succession?

- (1) Government support?
- (2) Support from other stakeholders (shareholders, executives, key partners, chambers of commerce,)?

(3) Mode of succession? Which is the better mode of succession? (Which model is better:

a second-generation entrepreneur setting up a separate branch or a second-generation entrepreneur taking over the original company directly after learning and training in the original company?)

(4) Are there any other important external conditions that may affect the process of succession?

Annex B: The Formal Questionnaire

Serial number	Item	Options (1-5 indicate strongly disagree - strongly agree)				
		1	2	3	4	5
1	The results of the handover of the business were recognised by the government.	1	2	3	4	5
2	The results of the handover at this business have been well received by the staff.	1	2	3	4	5
3	The results of the handover of the business were recognised by the client.	1	2	3	4	5
4	The professional manager of the business has a good grasp of the strategic direction of the business.	1	2	3	4	5
5	The professional manager of this business has strong interpersonal skills.	1	2	3	4	5
6	The company's professional managers have a wealth of social contacts in government.	1	2	3	4	5
7	The company's professional managers are well respected and trusted by entrepreneurs.	1	2	3	4	5
8	The company's professional managers are well respected and trusted by the employees.	1	2	3	4	5
9	The new generation of entrepreneurs in the business is keen to take over as the new leader.	1	2	3	4	5
10	The new generation of entrepreneurs in this business has sufficient expertise and skills.	1	2	3	4	5
11	The new generation of entrepreneurs in this business is well placed to take the strategic direction of the business.	1	2	3	4	5
12	The new generation of entrepreneurs in this business has a strong ability to capture opportunities.	1	2	3	4	5
13	The new generation of entrepreneurs in this business are very capable of managing their employees.	1	2	3	4	5
14	The new generation of entrepreneurs in this business has strong interpersonal skills.	1	2	3	4	5
15	Two generations of entrepreneurs in the business have conflicting ideological views.	1	2	3	4	5
16	The two generations of entrepreneurs in the business have conflicting styles of behaviour.	1	2	3	4	5
17	The two generations of entrepreneurs in the business have conflicting management styles.	1	2	3	4	5
18	The two generations of entrepreneurs in the business have conflicting business philosophies.	1	2	3	4	5
19	The staff are delighted that they chose the business in the first place.	1	2	3	4	5
20	The employees of the business are very concerned about	1	2	3	4	5

	the future of the business.					
21	Employees are reluctant to leave the business even if they have another suitable employer.	1	2	3	4	5
22	Government support for the sector is strong (including tax incentives, financial support, granting of privileges,).	1	2	3	4	5
23	The government has been very supportive of the business (including tax incentives, financial support, granting privileges,).	1	2	3	4	5
24	The government wants the business to continue to expand (including tax incentives, financial support, granting of privileges,).	1	2	3	4	5