

CHAPTER 1

INTRODUCTION

1.1 Background

Family business is the oldest form of enterprise organization in the economic system. Since its birth, it has shown strong vitality in the bloody market and has become an indispensable part of social and economic life. According to American economist Gersik (1996), about 65% to 80% of companies around the world are family businesses. About a third of fortune 500 companies are family-owned or run, such as Walmart, Ford, and IKEA. In the United States, 90% of businesses are family-owned, solving nearly 80% of employment problems and creating more than 50% of GDP. In Europe, 52-80% of companies are privately owned, and family businesses have become the leading business entities in many countries. In Asia, family businesses are mainly small and medium-sized enterprises, which is an extremely common organizational form. In Latin America, large family businesses dominate more than half of the industry (Yu Chung Hung, 2019). And Drucker (2000) pointed out that in developed countries such as the United States, Germany, and Italy, at least half of the enterprises adopt a family or pan-family management system.

However, the important position of family businesses in the world economy and social map does not obscure the fact that the continued growth of most family businesses faces serious challenges of succession. "Inheriting no more than three generations" has almost become the fate of many family businesses. International experience shows that only 30% of family businesses can pass on to the second generation, and less than 14% of family businesses that pass to the third generation (Bjuggren & Sund, 2001; Fleming, 1997; Matthews, Moore & Fialko, 1999). Obviously, the failure of succession not only affects the continued growth of the economy but also social problems such as unemployment and conflict. Therefore, since the 1950s, the issue of family business succession has been valued by the academic community and has become the most persistent hot spot for Western family business research. Regrettably, although much research focuses on the succession of the family business, but still do not know much about the mechanism of succession. It is difficult to effectively solve the worldwide

problem of family business succession. Under this circumstance, more and more scholars began to reflect on the existing research problems, in which the lack of family perspective is considered to be the key reason for the difficulty of succession research (Sharma, 2004). This is the theoretical gap.

Especially in recent years, the private economy has developed rapidly and accounted for half of the entire national economy. As an integral part of the private economy, family business is not only an important force for promoting the sustained and rapid development of the national economy but also a backbone for promoting social progress and occupying an important position in the entire macro economy (Yi, Y. et al., 2020). Frankly speaking, whether family businesses can achieve sustainable management is directly related to economic development, social progress, and stability of life.

As an important part of the economy of Southeast Asia, Chinese enterprises have made great contributions to the economic development of Southeast Asia. The so-called Chinese enterprises refer to enterprises created by the Chinese nation's descendants in Southeast Asia. Their production and operation activities are limited to a certain country or beyond the border and have branches abroad. The Southeast Asian financial crisis at the end of the last century has caused serious damage to Chinese companies. However, the crisis did not destroy Chinese companies. On the contrary, through the baptism of the crisis, Southeast Asian Chinese companies have shown greater vitality.

Today, the Southeast Asian region where Chinese companies are concentrated is one of Asia's major capital export destinations. Chinese companies continue to expand their foreign investment and sales and have become strong competitors of Western companies. In agriculture, machinery, textiles, chemicals, electronics, banking, catering, shipping, and other fields, Chinese companies occupy a very important position in Asia and the world. The Southeast Asian Chinese companies are leading the Asian market, and further competing for the development of the global market has attracted widespread attention from all countries in the world, especially in the western developed countries.

According to the relevant data in the “China Modern Family Business Survey Report” published by the Chinese version of Forbes on September 8, 2015, Midea Group’s He Xiangjian family became the top, and the report pointed out that the founder of the family business is the “rich generation”. They have generally entered the average age group above 65 years old, and the era of intensive family business has arrived.

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Therefore, how to ensure the success of family business succession becomes an inevitable problem.

Inter-generational succession is a major challenge for family businesses. The transfer of power in a family business means that the control and management of the enterprise are passed on from the previous generation to the next generation. In fact, it is the transfer of the property, prestige, and status of the family. Although family businesses occupy an important position in the economic society, it is the most vulnerable time for family businesses to prepare to transfer power between generations. According to statistics, the average life expectancy of family businesses is only 24 years. It is often seen that when the founders of family businesses suddenly leave or retire, it is often the end of the enterprise. Astrachan (2000) estimates that only 30% of family businesses in the US can successfully pass on to the second generation, 12% of family businesses can successfully pass on to the third generation, and only 3% of family businesses can successfully pass to the fourth generation.

A failure to manage the succession process often results in a family losing control of the company. Among the family businesses that failed to pass to the second and third generations, some went bankrupt because of the new successor management, some were forced to sell to competitors, and others were closed forever.

Therefore, in order to maintain their own "victory fruit" and achieve sustainable development of their own family and business, family businesses are always seeking the best way to inherit. The succession of family business, as the basic way to realize the inter-generational succession of "scepter" in the family and the business, is especially valued by them. The results of the succession have a huge influence on the power, money and influence of the family and the business. A wise succession can enable families and businesses to get the right leaders and lead families and businesses to continue to succeed; on the contrary, families and businesses will decline or even die. As a special group that closely links the family and the business, the family business will have a significant increase in the assets and influence of the family. If the family declines, the operation of the enterprise and the activities of the enterprise in the capital market will be greatly hurt. Therefore, the success of the family business determines the direction of the family and the business to a certain extent.

With the global "succession era" getting closer and closer, the urgent problem that

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needs to be solved now is not how family businesses establish a modern enterprise system, nor how to clarify property rights, but how to successfully realize the two generations of succession in the fierce competition. To solve this problem, we must first determine the factors and constraints of the family business inter-generational transmission. In this way, we can find problems and solve problems as soon as possible, realize the successful transfer of two generations, and create a good environment and conditions for the long-term development of the enterprise.

Looking forward to the development trend of successors in family business's succession. Since ancient times, a kind of traditional family culture has been formed due to historical factors. However, in the succession of family business, "transmission within, not outside, cronyism" has its reliability. To some extent, family businesses choose to hire competent managers externally, and maintain the nature and shareholding of family business. The relationship of family businesses will be transferred to "family relationship".

In the world of family businesses, there is a widespread phenomenon of "the first generations start a business, the second generations guard the business, the third generations close the business". When the older generation of family businesses handed over power to the next generation of successors, the younger generation showed a lot of problems in the business process because of their lack of management and experience. In the first generation of business owners, the vast majority are reluctant to retire, and they are not willing to decentralize their powers. They are firmly in control of their own hands, and the cultivation of the next generation of successors is relatively weak. Mao Yixiang, president of Fangtai Group, asserted with years of research and investigation that "in the first generation of family business in China, at least 30% of enterprises have died due to succession issues. In ancient Chinese, there is a saying that "the rich is not three generations". It is undeniable that with the advent of the wave of handover, the issue of succession has gradually become one of the biggest factors for the sustainable development of Chinese family businesses.

Chinese traditional family culture has a close relationship with family business heritage. In the global Chinese-controlled enterprises, family management is common. Due to factors such as the economic system and legal credits are not perfect, a large number of private enterprises choose family management. However, overseas Chinese

companies in the relatively well-established North American and European society, the enterprises still maintain the family management style and the succession mode of the father to son. From a certain level, it has to be said that the management and succession of family businesses have a close relationship with the traditional Chinese family culture.

The succession of Chinese family businesses will be a long-term and difficult issue. In recent years, although some family-owned enterprises have implemented a two-power separation management model, breaking the traditional Chinese hereditary system, introducing professional managers as successors. However, a large number of family-owned enterprises still seem to have chosen the family management method and the succession mode of the father-in-law industry, and the family business will continue to be further extended. Enterprise succession has gradually become an important key to the development and survival of many family businesses in China. How to plan and train the next generation early can ensure the smooth handover of enterprises. Enterprises can change and continue development in a timely manner. This is not only a serious practical problem, but also a theoretical subject worthy of attention. The inter-generational succession is one of the most difficult challenges faced by family businesses in their continuous growth. For family businesses, successors mean the future direction and growth trend of the company. Different candidates will bring different results. Once there are mistakes in decision-making, it may have a fatal impact on the survival and development of the company.

In China, the succession practices of family businesses and related research face the same problems. Since the Reform and Opening-up policy, the private economy has become an important force for the growth of the national economy. Throughout the governance model of private enterprises in China, many family members control and master the main management rights, patriarchal decision-making, family and equity incentives, family management of employees, weak dependence on external investors and close relationship between government and enterprises. As the main feature, the color of family management is very clear (China Private Enterprise Development Report, 2004). The China Private Economy Development Report (2006) directly pointed out that more than 90% of the 3.4 million private enterprises are family businesses. Among them, a considerable proportion of family businesses were born at the beginning of reform and opening up. After more than 40 years of development, these enterprises have reached the

stage of succession. The academic community generally believes that family businesses will usher in large-scale power transfer and succession. However, in the face of the upcoming peak of succession, the understanding and preparation of most family businesses are obviously insufficient. Succession has become a huge challenge in the continuous growth of family businesses. The death of Li Haicang, the chairman of Haixin Steel, quickly pushed Li Zhaohui, a 22-year-old son, to the position of the head of the 4 billion yuan asset group. The accidental death of Wei Dong, the chairman of the "Yongjin Department", forced his wife Chen Jinxia to assume the responsibility of managing the group. The founder of Yi Fei Group, Chen Yifei's sudden death, left an unfinished business plan for his family. There is no arrangement and preparation for any succession to make the company's prospects unclear. All kinds of cases show that the lack of preparation for the succession of family businesses has already formed a potential constraint on the continued growth of enterprises. Therefore, combing the influencing factors and mechanism of family business succession, and then achieving the successful transfer of leadership through the effective management of the succession process, has become a practical problem faced by the majority of family businesses. In this process, the Confucian cultural background that Chinese family businesses generally have and emphasizes family concept has attracted the attention of family business practitioners and researchers. More and more scholars have begun to pay attention to the role and influence of family on succession practice.

It is easy to understand that in China, which is most affected by "family culture", family culture will infiltrate the corporate culture and operation management process, affecting the succession behavior and effect of the enterprise. For example, the dispute over family power that broke out in February 2008 by Hong Kong Sun Hung Kai Group has frustrated the development of enterprises in mainland China and hindered the rapid expansion of enterprises.

One of the secrets of the Lee Kum Kee Group's four generations and 120 years of experience is to strictly separate corporate affairs from family affairs in corporate management, and to minimize the negative impact of family on business operations. More importantly, China is in the process of institutional transition, the rules of the planned economy are gradually dying, and the perfect rules of market economy are gradually being established. And this is the empirical gap. Family and family rules have

just become a temporary institutional complement and a supporting component for the creation and development of family businesses (Chu Xiaoping, 2004). Therefore, if the family and family system research enterprises are abandoned, it will inevitably affect the accurate grasp of the development of the Chinese economy, especially the enterprise organization (Li Xinchun, 1998).

Under this background, the study of the motivation mechanism of family business succession based on family perspective is likely to be an important way to solve the problem of family business succession and promote the success of succession. Introducing a family perspective in the study of family business succession can deepen our understanding of the role and status of the family in the family business succession process, and trigger us to explore how to effectively manage family influences to improve business succession. Then, from the academic point of view, the efficient succession model of family business with Chinese characteristics is discussed. From this point of view, the study of family business succession from the family perspective has special theoretical and practical significance.

1) Family business. With the development of modern society, family business plays an important role in the world economy. The study of family business issues should be based on a correct understanding of the connotation of family businesses. There are many definitions of family business in the academic circles. There are differences in the extension and connotation of family business research with different paths and perspectives.

The definition of family business is the starting point for the study of family business, and the definition of family business is numerous. It reflects that with the development of family business, the academic research on family business has become more comprehensive and in-depth. This section reviews the definitions of the more representative family businesses in the academic community, and then determines the operational definitions of the family businesses based on the research direction and characteristics.

Astrachan & Shanker (2003) also pays great attention to the significance of inter-generational succession to family businesses. It is pointed out that a narrow sense of family business refers to several generations of family members directly involved in business management and one or more family members have major management

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responsibilities for the enterprise.

Channon (1971) defines family business from three aspects: family management and control, family succession and family ownership. It is believed that family business should be controlled by family members as CEO and two generations of family members, with family members holding at least 5% of the stock rights or trust funds of the company.

Some researchers believe that family businesses can involve multiple families. For example, Davis (1983) believed that family business is an organization whose policies or direction are significantly influenced by one or more families, and such influence is realized through ownership or family members' involvement in business management activities. Some scholars believed that the family involved in the family business can only be unique. For example, Rosenblatt (Demik & Johnson, 1985) pointed out that most of the ownership or control of the family business is in the hands of a family, while two Or multiple family members participate in business operations.

Some scholars emphasize the need to define family businesses in multiple dimensions. For example, American scholar Chandler (1987) defines family businesses as: "Business incumbents and their close partners and related families have always controlled most of the equity. These business owners maintain close personal relationships with their managers and retain primary decision-making power at the top, particularly with regard to financial policies, resource allocation policies and senior management appointments."

Reynolds (1995) also uses a range of conditions to frame family businesses, including: family-owned; family members have more than 50% ownership; family members account for 50% or more of management team seats; family or relatives hold more than ownership 50%.

Through the above research, it can be found that most of the researchers define the family business from the perspectives of enterprise power - ownership, management, control and inter-generational succession or several aspects. The research on family business in China has once again gained the attention of researchers with the rise and flourish of Chinese family businesses.

Sun zhiben (1995) explained the connotation of family business as follows: a family or several families with close alliance relations directly or indirectly control the business.

Ye yinhua (1999), a scholar from Taiwan, introduced the concept of critical shareholding ratio to define family enterprises from the perspective of ownership and management rights. It is believed that the family holdings of the family business should exceed the critical shareholding ratio; the family members or close relatives who serve as the chairman or general manager and family members or relatives account for more than half of the board seats define the family business.

Chu Xiaoping and Li Huaizu (2003) regard family business as an enterprise organization dominated by family assets and combined by family rules and corporate rules. Ye guocan (2004) explained family business as an enterprise linked by marriage and blood relationship, whose capital source or accumulation and business operation are based on family background, and whose leadership is passed down from generation to generation within the family. Lu Fusai and Liu Manzhi (2004) defined a family business as one or several families' ownership from the perspective of ownership, control right and inter-generational succession, and families or families can legally transfer the ownership or control right of a business to their descendants.

Among the family business researchers in China, some scholars have introduced new dimensions in combination with the characteristics of Chinese family businesses, such as risk-taking, residual income rights, corporate culture, relationship networks, etc. Liu Xiaoxuan (2000) believed that family businesses should have the majority of residual beneficiary rights and control rights of individual business owners, and bear the characteristics of the main risks of enterprises. Gan Dean (2004) pointed out that family business is an open and unstable enterprise system that traditional culture as the core, paying attention to the network of interpersonal relationships; the ownership and management rights are not separated; the life cycle of enterprises is closely related to entrepreneurs and their family cycle; decisions are often made by property owners in a centralized manner; with family members holding important positions in the business.

Dou Junsheng and Jia Shenghua (2004) have made a comprehensive summary of the methods of family business definition at home and abroad. The definition of family business by the essential method generally considers the following factors: attempt to maintain control over family alliances; have unique, indivisible and synergistic resources, and the ability to form in family participation and interaction; control the vision of family alliances; Constantly pursue this vision.

Li xinchun (2010), a professor at ZhongZhan university, proposed in his research on the growth and entrepreneurship of Chinese family enterprises: "In family enterprises, family cultural values play a leading role in responding to the aspirations and missions of enterprise development. It is pointed out that the family business has three basic characteristics: The family has ownership and control over the relative control of the enterprise; The cultural values of the family dominate the vision of the company's development and the mission of the company; At least one family succession.

In summary, according to the definition of family business by researchers, it is still the mainstream view to define family business from single or multi-dimensional perspectives, such as ownership, control, inter-generational succession and family culture. Based on the research achievements of predecessors, this research gives the definition of family business adopted in this research from the following perspectives, as shown in table 1.1:

TABLE 1. 1
DEFINITION OF FAMILY BUSINESS

Perspective	Feature
Ownership	Only one member of the family owns more than 60% of the property ownership or equity of the enterprise. The proportion of critical control rights varies according to the situation of different countries and regions.
Management Control	A family or several closely allied families directly or indirectly control the operation of a business.
Inter-generational Succession	An enterprise with inter-generational succession intentions or plans.
Culture	The pursuit of family vision; Paternalistic leadership style; The power structure, trust and interpersonal relationship are dominated by blood and geography.

(Source: Researcher, 2020)

2) Family. Since the definition of the family is quite difficult and the understanding of the family is different in different cultural backgrounds, it is difficult to see a clear definition of the concept of the family in the study of the family business. In addition, the "family" itself is an abstract and rich concept, which also increases the difficulty for researchers to accurately grasp this concept.

As mentioned above, due to cultural differences, domestic academic circles still have disputes between "family unit business" and "family group business". The word "family" refers to the "family unit" in English, but can be translated into "family unit" in

Chinese. It can also be translated as “family group”, and domestic and foreign scholars almost do not distinguish between them. In sociology, the definition of family unit and family group concepts is very clear. In terms of general characteristics, the family unit is a form of social organization that is a combination of specific marriage forms. The family unit we usually say today is an individual/core family, that is, a form of family organization that uses individual marriage as a link. The family group based on family unit, referring to the descendants of the same male ancestor. Although they have separated and become many individual families, they have also come together for generations (such as living together in a village), according to certain norms. The combination of blood relationship has become a special form of social organization. Generally speaking, the relationship between family unit and family group is mainly manifested in the relationship between individuals and groups. In a society where blood relationship is the bond, the family unit is the individual and the foundation. The family group is the upper-level organization of the family unit. Although from the organizational point of view, the family unit and the family group have very different organizational forms, but the "family" of our country, the concept of "stretching freely" makes the two concepts cannot be strictly defined. In the study of family businesses in China, especially the family group cannot be abandoned to discuss the influence of family unit on family business. That is the biggest difference with foreign family business (Chen Linghe Ying Lifan, 2006).

Therefore, when discussing the family business in China, it is necessary to carry out specific analysis according to the research needs and the development stage of the family business. In China, the development stage of family business is closely related to the change of family unit and family group. Generally speaking, in the early stage of the establishment and development of family businesses, an organizational structure with a concentric ring formed by the founders of the company as the core, along the blood, kinship, and from near to far, that will be formed. The social capital, such as funds and relationships required for the survival and development of family businesses, is mainly obtained from this organizational structure. When the family business develops to a certain stage, especially after entering the succession process, the influence of family unit on the succession decision is significantly higher than that of the family group. The flow of power and wealth is first limited to the smaller circle of the family unit, followed by distant relatives and non-family members. In other words, according to the research needs of this paper, it is more suitable to use "family unit" as the research object.

As far as the basic composition of the family unit is concerned, the current family unit in China mainly consists of three basic forms: individual, core family, and expanded family, which are concluded by blood relationship and marriage. Among them, the core family has the largest proportion and the most representative. In this study, we focus on the core family where the family business owner is located.

3) Family business's succession. Similar to the research on CEO succession in the field of strategic management research, in the literature on family business succession, the common words or phrases in English expression "inter-generational succession" include "(inter-generational) succession", "(inter-generational) transition", "transfer of power/leadership/ownership", etc. Among them, "succession" appears most frequently in the literature.

In the field of family business research, succession usually has two definitions, generalized and narrow. The generalized definition of family business succession refers to the transfer of leadership from the founder and owner to the successor (family member or non-family professional manager) (Beckhard & Burke, 1983). According to whether there is blood relationship or marriage relationship between the successor and the incumbent, it is divided into internal and external succession. The narrow definition of family business succession usually refers to the transfer of leadership or management from one family member to another, which is equivalent to the internal succession in the definition of generalized succession. Although the views on family succession are different, the proponents believe that successful internal succession can retain "family-specific heterogeneity knowledge" (Bjuggren & Sund, 2001) or family characteristic (Habbershon & Williams, 1999). To help family businesses achieve or maintain competitive advantage over non-family businesses (Cabrera, 2001).

It is not difficult to find that no matter whether it is generalized or narrow definition of family business succession, there is no clear definition of what is passed from the incumbent to the successor, and what elements are included in the "leadership" are not clearly stated. Some scholars believe that the "leadership" here includes two dimensions of ownership and management (Barry, 1975), and some scholars believe that only one of them. In general, early research regards succession as a simple one- or two-dimensional concept, and believes that succession is the ownership and management rights of different combinations. Researchers only need to choose a combination according to the purpose

of the research. As research progresses in depth, some scholars (Cabrera, 2001) point out that this view is merely a superficial description of the content of the succession. In fact, the family business will pass a series of elements to the successor to ensure the establishment of the authority of the successor after the handover. In addition to ownership and management, mission, values (Drozdow, 1998), implicit knowledge (Cabrera, 2001), network and social capital (Steier, 2001), and innovative spirit (Litz & Kleysen, 2001). These are the elements of the family business in the process of socialization of the successors, and the connotation of succession is greatly enriched and expanded. In the inductive aspect of the essential and unique elements retained in the process of succession, domestic scholar Dou Junsheng (2008) made a useful attempt in his doctoral thesis.

In this study, the generalized definition of family business succession is used, in which leadership only contains a content of management rights. That is to say, the family business succession defined in this study refers only to the transfer of family business management rights from the business owner to the successor (family member or non-family professional manager). Judging whether the management right has changed is mainly identified by observing whether the general manager of the family business has changed, and whether the family business owner and his or her children's role in the enterprise have changed. In the general enterprise theory, the transfer of management rights has some expressions, as CEO succession, pass the baton, CEO transition or CEO turnover, and so on.

At present, the development of family businesses in China has the following three characteristics. First, the number of family businesses is large but small. According to the survey of the "China Family Business Development Report", most private companies in China are controlled by business owners and their families, with family businesses accounting for approximately 85.4% of the large sample. In general, most family businesses are small and micro businesses. According to the survey, family businesses with an owner's equity of less than 10 million account for about 75.2%, family businesses with sales of less than 10 million account for about 58.4%, and the number of employees Family businesses with less than 100 employees accounted for nearly 70%. It can be seen that the scale of most family businesses has not yet fully developed.

One reason for the limited size of family businesses is the obstruction of their

financing channels. In recent years, China's capital market has gradually improved, making family businesses gradually balance in the scale structure. The establishment of small boards and GEM has greatly promoted the growth of family businesses, and the channel for overseas listings has opened the door for family businesses to obtain foreign capital. The capital market not only provides a platform for family businesses to raise funds, but also promotes the value of family listed companies. The wealth effect of family businesses after listing will attract more companies to seek development through listing. At the same time, many outstanding family businesses are still far from the stock market.

Secondly, most family businesses are still start-ups, which is one of the reasons for their small size. Similarly, many family businesses appear to be related to entrepreneurial activity in their age and geographical distribution. In the industrial clusters in developed regions, large enterprises will outsource some of their support services or production affairs to family businesses. Such collaboration makes the market operation more efficient.

It is precisely because family businesses are mostly in the entrepreneurial stage or founder leadership stage that families usually have family support behind them, so the family has strong control over the company's equity. (The shareholding ratio of the actual controller of the family business)

Thirdly, most family businesses are currently concentrated in labor-intensive industries. Due to the influence of historical factors and the policy environment, the growth path of Chinese family-owned companies is rather tortuous and cannot enter some strategic industries or resource-based industries. In addition, in the process of starting a family business, family businesses mainly rely on the support of the family's internal capital, and it is difficult to obtain the help of external capital. This leads to companies that are more dependent on their own accumulation and development path. Labor-intensive industries meet the requirements for family entrepreneurship. Therefore, most family-owned enterprises enter from labor-intensive industries, and after they have accumulated a certain amount of capital, they turn to capital-intensive industries or other industries.

From the current status of family businesses, we can see that most family businesses start their own businesses from scratch and have gone through various difficulties. This makes the founders of the company have a strong sense of dedication and dedication, and

they have deep feelings for the company, which is also their competitiveness in the process of establishing the company. At present, most enterprises still have entrepreneur control and management, and the entrepreneur's psychological ownership of the enterprise makes it pay more attention to the management of the enterprise. Entrepreneurs' control of business management on the one hand helps reduce opportunistic behavior of others in the business. On the other hand, it is easy to increase the risk of corporate decision-making errors, and excessive control of the business owner may hinder the "management revolution" within the company (Chen Lingshu, 2011). When the enterprise's demand for management capacity exceeds the ability of the business owner, the control of the business owner will become an obstacle to the growth of the business.

A family business is characterized by the unification of ownership and control. The interests of family members are tied to the interests of the company, and family member management has saved agency costs to some extent. At the same time, it has also obtained the stewardship of the business owner, which makes the family business have strong cost control ability. These features have efficiency advantages under certain conditions.

1.2 Problems formulation

Although family business succession practitioners and researchers have long recognized that the introduction of family perspectives in succession research is of great significance, family business succession research based on family perspectives is still slow and has been almost stagnant for quite some time. The reason is that the family is a complex and dynamic social system, and it is difficult for researchers to incorporate it into empirical research, especially the quantitative research process. Even if the family enters the theoretical framework and design of the study as a variable, it mostly appears as a background variable, and the family is still like a "black box" that is not open to the researcher. For Chinese family business researchers, there is still a family dispute due to cultural differences. In English, the specific difference between the two semantics is not seen. Social life unit formed by relatives(family unit), and social organization based on blood relationship(family group). In the Chinese context, the "family" means two different social structures, which undoubtedly makes domestic scholars have to conduct more standardized and in-depth research and discussion when they continue to inherit and innovate foreign related research results.

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In the study of family businesses, “family” is a common unit of analysis, which is related to the fact that foreign families are mostly composed of nuclear families. In China, most family businesses benefit from the network of relationships formed by the business owners in the early days of their creation and development. Therefore, in the family business research, the family is considered to be the basis for the survival and development of the family business. The researchers pay attention to the family group, and the tendency to despise the family unit is very obvious (Chen Ling, Ying Lifan, 2006). However, by observing the succession practice of family businesses, it can be found that when family businesses face the transfer of power and wealth, most business owners prefer their children as future leaders of the enterprise, followed by close relatives and distant relatives. This difference from the inside to the outside is very obvious. That is to say, in the succession stage of the family business, the decision-making model of family unit above family group dominates, and the entity that can act on the succession behavior and effect is the family unit of the business owner rather than the family group. This is completely different from the situation in which the family business was founded and developed. Since this paper studies the behavior and effects of the Chinese family business in the succession stage, the entity that chooses the “family unit” of the business owner enters the research process.

After defining the family of the family business, this study also needs to solve the problem that the family is difficult to quantify. In fact, family business researchers have begun this effort, as Habbershon & Williams (1999) proposed the concept of “familiness” based on the perspective of resources, Sharma & Manikutty (2005), Kellermanns (2005) Structural studies, Lansberg & Astrachan (1994), Morris, Williams & Allen, et al. (1997), Lee (2006) Concerns about family relationships. Researchers attempt to use the characteristic variables such as structure and function to describe the family system, improve the operability of the family in empirical research, and have received good results, which is considered to be the direction for further development of future research. Based on this, this study follows the idea of portraying family systems of family businesses by extracting characteristic variables such as family structure and family relationships. Therefore, it solves the family problem that it is difficult to quantify and cannot enter the empirical research process.

The practical problems to be solved in this paper are transformed into scientific

questions of research significance. This paper takes the family business in the process of succession as the research subject, and reveals the influence of the family system on the succession effect of the family business from the two dimensions of family structure and family relationship. The problems to be solved in this paper can be summarized into:

No.1 Under the family business succession situation, how does the family business owner's family structure affect the family business succession mode and effect?

1). Does the family structure of a family business significantly affect the choice of business succession methods?

2). Does the succession method of the family business have significant impact on the change of business performance during the succession period?

3). Are there some differences in the characteristics of a family business that chooses an internal and external succession?

4). Are there some differences in the characteristics of a family business that chooses an internal and external succession?

No.2 How does the family relationship of family business owners affect the succession effect in the family business internal succession?

1). Do family relationships significantly positively affect the succession of family businesses?

2). Does family relationships mediate the succession effect of family businesses through family commitments to the business?

3). Does the mediation effect of family relationship on the succession effect through the personal role identity of family members?

1.3 Objective

To deepen the study of family business succession, we must pay attention to the complex subsystem of the family in the research process. To open the “black box” of the family, the family must be quantified to enter the quantitative research process. At the

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same time, Chinese family business research must also pay attention to the differences between family unit and family group, which is clearly defined in the research. Therefore, based on the definition of family business, family, succession and other concepts, this study attempts to introduce a family perspective in the study of family business succession and explore the influence mechanism of family on the succession of family business. Furthermore, from a practical point of view, how to effectively manage family influences to improve the succession of family businesses. And the purpose in this paper can be summarized into:

1) To answer the influence of family structure on the way of family business succession, and further observe whether different ways of succession affect business performance.

2) To answer the influence and mechanism of family relationship on the succession effect under the family business internal succession situation.

1.4 Structure of the research

The contents of each chapter of this study are organized as follows:

Chapter 1: Introduction. Through the description of the practice and theoretical background of Chinese family business, the research problems and the research purpose are determined.

Chapter 2: Literature review. Based on research problems, systematically combing and reviewing existing research results in the field of family business succession, laying the foundation for the design of quantitative research.

Chapter 3: Research methodology. On the basis of systematically researching the influence of family on family business succession, the research framework is constructed and the quantitative research program is designed.

Chapter 4: Research results and discussion. 1).The influence of family structure on the family business's succession. The first part of quantitative research is to extract the family structure in the family system, and use the public data of listed companies to explore the influence of family structure on the succession and effect of family business.

2).The influence of family relationship on the internal succession of family business. The second part of quantitative research is to extract the family relationship in the family system and use the questionnaire data to explore the influence of family relationship on the family business's succession.

Chapter 5: Conclusion and Recommendation. To explain the significance of the research conclusions for academic research and business practice, and look forward to the direction of further research in the future.

This is represented in the figure 1.1:

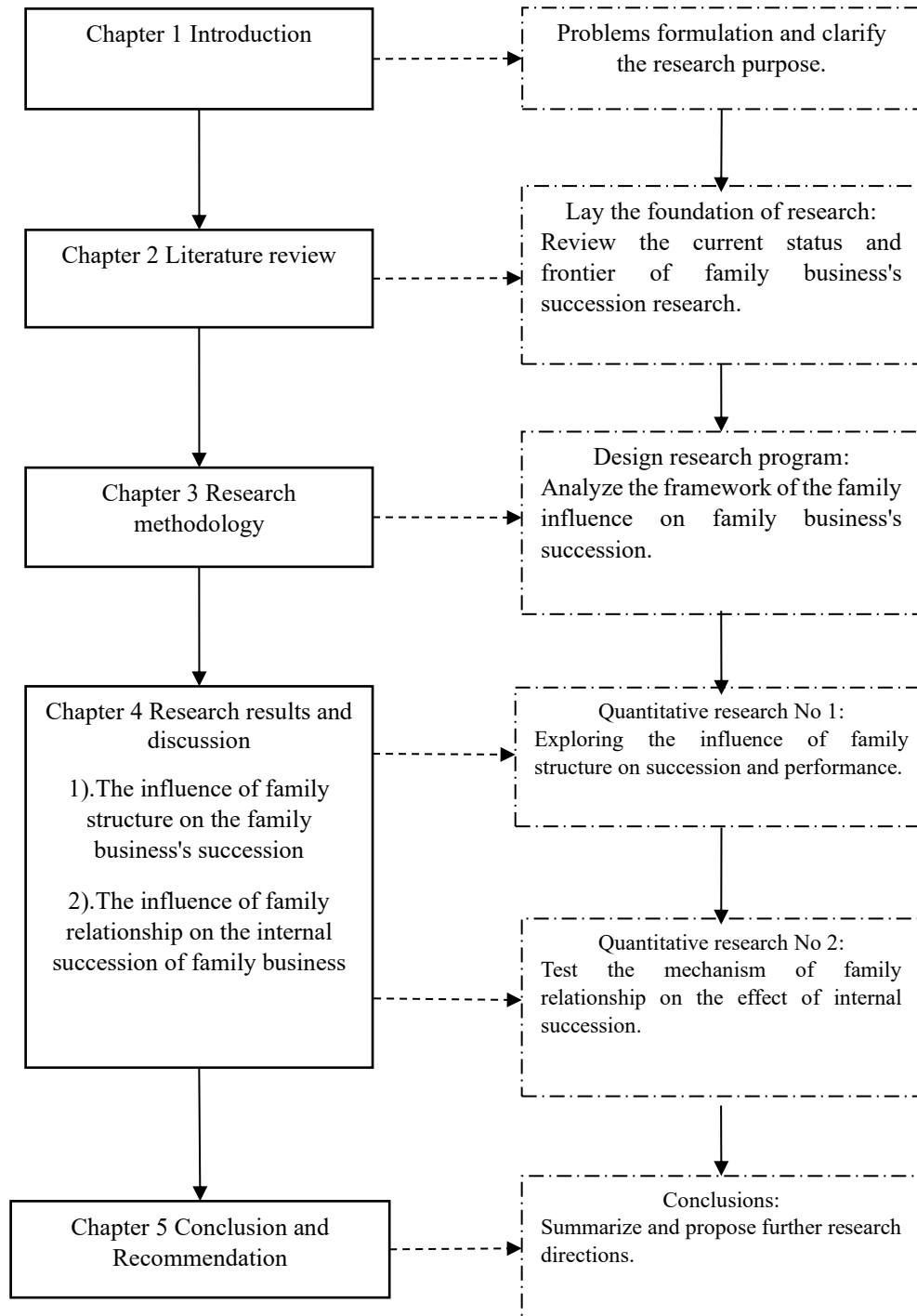


FIGURE 1.1 THE STRUCTURE OF THE RESEARCH