ENTREPRENEURSHIP IN FAMILY BUSINESS: EVIDENCE FROM CHINA

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ABSTRACT

This research advocates the evolution of family business and entrepreneurship studies. Focusing on second-generation Chinese family businesses, it has investigated how their entrepreneurial processes are influenced by their family attributes, which leads to different outcomes.

Two major constructs were operationalised. First, the notion of "familiness", coined in prior literature to represent the "family side" of a business, was reviewed and conceptualised on three dimensions, namely business objectives, resources, and decision-making, each having five sub-dimensions. By examining business practices on these dimensions and sub-dimensions, "familiness" of given businesses was captured, which located the businesses on a continuum between a family orientation pole and a market orientation pole. Second, entrepreneurial processes were referred to as the creation of an opportunity, which was exploited by organisational means and resulted in market outcomes. Existing business resources determined whether the entrepreneurial processes were internally or externally-oriented. Innovations were treated as both outcomes and validating criteria of the entrepreneurial processes. Three types of innovation were identified, depending on their relevance to the existing business, namely discontinuous, dynamically continuous, and continuous.

This research employed a qualitative, case study approach, and semi-structured interviews were undertaken at eight small to medium-sized family businesses in eastern China. The findings support established literature which argues that there is a positive relationship between family orientation, internally-oriented entrepreneurial processes, and continuous innovation. On the other hand, the research indicates that the individual-level trans-generational effects of "familiness" have a significant impact on entrepreneurial processes of second-generation Chinese family businesses. With such an impact, market-oriented businesses do not implement the most externally-oriented entrepreneurial processes, and produce dynamically continuous innovations; while businesses with a hybrid combination of family orientation and market orientation implement the most

externally-oriented entrepreneurial processes, and discontinuous innovations.

In general, this research has made conceptual and theoretical contributions by suggesting a multi-dimensional notion of “familiness”, which includes an individual-level component. In addition, a dual-level approach has been proposed for studies on entrepreneurship in family businesses, emphasising both firm processes and the role of the owner-manager. Implications have been indicated for business practitioners and policy-makers as well.

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GLOSSARY

AMO	ability, motivation, and opportunity
CCP	Chinese Communist Party
DEE	discovery, evaluation, and exploitation (of an opportunity)
DNA	deoxyribonucleic acid
EO	external orientation
FO	family orientation
F-PEC	family – power, experience, and culture
GDP	gross domestic product
IO	internal orientation
JPSB	Jiangsu Provincial Statistical Bureau
LED	light-emitting diode
MBA	Master of Business Administration
MD	managing director
MO	market orientation
NBSC	National Bureau of Statistics of China
OECD	Organisation for Economic Co-operation and Development
R&D	research and development
RBV	resource-based view (of the firm)
SME	small to medium-sized enterprise
SOE	state-owned enterprise
SOM	successor owner-manager
TVE	township and village enterprise
UK	United Kingdom of Great Britain and Northern Ireland
YEA	young entrepreneurs' association

1. INTRODUCTION

Despite the fact that family businesses are an enduring institution for entrepreneurial activities (Craig, Moores, Howarth & Poutziouris, 2009; Pistrui, Welsch & Roberts, 1997), research in family business and entrepreneurship have typically been conducted along distinct paths in the past decades. Only recently have the paths begun to cross as both family business and entrepreneurship researchers have started to realise that families can have a significant influence on entrepreneurship, and *vice versa*. There has been a growing recognition that entrepreneurial activities frequently have a family dimension (Heck, Hoy, Poutziouris & Steier, 2008), and that the absence of family firms from the mainstream theories of entrepreneurship may lead to the inapplicability of such theories to "the vast majority of organizations that exist, or will exist, in the world" (Chrisman, Chua & Steier, 2003, p. 441).

Motivated to some extent by Rogoff and Heck's (2003, p. 559) call for "evolving research in entrepreneurship and family business", this research is dedicated to investigating the influences of family attributes, or "familiness", on the entrepreneurial processes of family businesses. By conceptualising and operationalising the notion of "familiness" within a multi-dimensional framework, the "family side" of given businesses are investigated and measured. On the other hand, entrepreneurship is perceived as a range of processes, in which an opportunity is created and exploited, with innovation as a validating criterion and an outcome of the processes. In order to uncover the manner in which the "family side" influences the "business side", this research chooses to focus on the relationship between "familiness" and entrepreneurial processes in given family businesses. With the expectation that contributions will enhance knowledge of both family business and entrepreneurship, this research will provide empirical evidence to support the conceptualisation and theorisation that underpins the evolution of family business and entrepreneurship research.

This chapter is a brief introduction of the research, and its organisation is as follows. The

first section will provide a general picture on the development of family business research and entrepreneurship research, respectively, which gives rise to the point of view that a family business perspective is needed in the mainstream entrepreneurship literature, and *vice versa*. The second section will explain why China is an important and interesting country for research of this nature, and hence selected as a general context for this research, by presenting an overview of China's entrepreneurship profile under the family business umbrella. The chapter will then conclude with the main constructs and the overall research question that underpin and frame the following chapters of this research.

1.1 Background to this research

This research responds to the emerging call for a link between family business and entrepreneurship studies. Underpinning such a call are the constant inroads made in both family business and entrepreneurship fields on the one hand, and the fact that the relation between these two fields is still very loose. The following paragraphs will briefly outline the background motivation for this research.

1.1.1 The family business definition dilemma

As a major field of social scientific inquiry, family business has a relatively short history; it was the 1990s when family business was eventually regarded as a separate academic discipline (Bird, Welsh, Astrachan & Pistrui, 2002). Since then, researchers have continuously sought to differentiate family businesses from other forms of business organisations. Despite these efforts, the definition dilemma still haunts researchers and constrains the grounding and advancement of family business as a research topic and an academic discipline (Astrachan, Klein & Smyrnios, 2002; Chrisman, Chua & Sharma, 2003).

A variety of criteria has been employed in the attempts to define a family business, most of

which are developed from the Three-Circle Model (see Figure 1), suggesting that a family business is the overlapping of family, ownership, and management (Gersick, Davis, Hampton & Lansberg, 1997; Taguiri & Davis, 1982), with governance usually undifferentiated from management (Chua, Chrisman & Sharma, 1999). Other researchers (e.g., Handler, 1989; Ward, 1987) have proposed that generational transfer, of not only the ownership and management but also family values and legacy, should be a part of the family business definition.

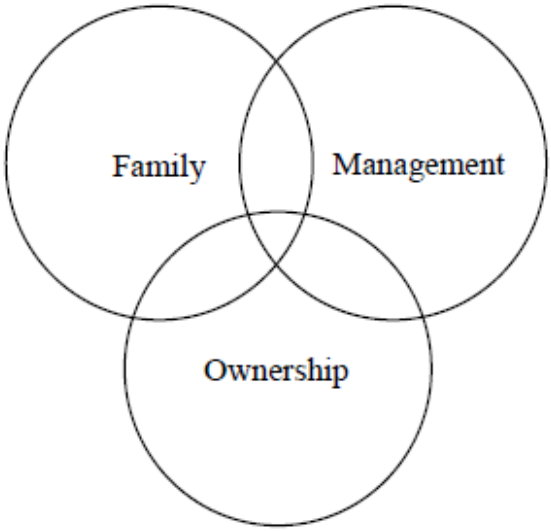

Figure 1.1 The Three-Circle Model (Gersick *et al.*, 1997)

According to a review of literature conducted by Chua, Chrisman and Chang (2004), most previous studies have applied a dichotomous approach to distinguish "family business" from "non-family business" in terms of the extent and quality of family ownership and management control and expectations of business succession on family members. This dichotomous approach causes confusion because the distinction between family and non-family businesses is often ambiguous. For example, although it is widely accepted that a family owned and managed business is a family business, it is less clear that those family owned but not family managed, or family managed but not family owned, are also family businesses. In addition, the expectation of business succession on family members tends to

be unreliable and hard to capture, as it may be partial, or change over time, and does not necessarily end up with the real-life occurrence of such a succession. Interestingly, as argued by Chua *et al.* (2004), every business has more or less family attributes and every family has more or less business attributes, so it could be argued that all businesses have in essence some level of family influence (Aldrich & Cliff, 2003).

Having realised that it is rather difficult to answer the question of "what is a family business?" researchers have started seeking a solution by asking a corrective question "how family is a business?" and the term that has been coined to describe this "how" question is "familiness" (Rutherford, Kuratko & Holt, 2008). Albeit a relatively recent emergence, the notion of "familiness" provides an alternative to the family business versus non-family business dichotomy. Instead of inserting a distinct separation between family and non-family businesses, "familiness" looks at the family attributes and influences in a business organisation. By assessing the extent of "familiness" in a given business, it is possible to visualise the "family aspect" of the business, and then its effects on the "business aspect", potentially enabling the essence of family business to be captured (Chrisman, Chua & Sharma, 2005).

1.1.2 The entrepreneurship approaches

Despite its longer existence than the family business research, entrepreneurship also encounters definitional difficulties. The question has constantly been asked as to what entrepreneurship exactly refers to. In attempting to answer this question, researchers have adopted a variety of approaches. Pioneering researchers (e.g., Liles, 1974) tried to approach entrepreneurship by looking into the personal traits of entrepreneurs in the belief that entrepreneurship could be understood as long as the "who are the entrepreneurs?" question was answered (Gartner, 1988). However, no research was able to provide a satisfactory answer, and there has been no commonly accepted definition or model of what the entrepreneur is or does (Churchill & Lewis, 1986; Heck *et al*., 2008). To date no personal

characteristics have been found unique to entrepreneurs (Rogoff & Heck, 2003). From a life cycle perspective, entrepreneurs are not necessarily entrepreneurial all the time, which also makes the distinctiveness of the entrepreneur less convincing.

Alternatively, Bygrave and Hofer (1991), among others, draw on a broader examination of the nature and characteristics of the processes of entrepreneurship rather than the personal traits of the entrepreneur (see also Gartner, 1988). Even though there is an agreement over the need to study processes, there is no agreement as to which processes should be studied. Some researchers see entrepreneurship as the founding or creation of a new business and an entrepreneur, in turn, as a business founder or creator (Gartner, 1985), which is a fundamental assumption on which the creation-focused approach is based (Carter, Gartner & Reynolds, 1996; Gartner, 1988; Gartner & Carter, 2003). Although this approach has been widely employed, it is not unproblematic. In line with this view, those who inherit or buy an existing business would not be qualified as entrepreneurs, no matter how they operate the business and what the outcome is.

Another approach, which is grounded on Schumpeter's (1934, p. 76) description of the entrepreneurial function as being "to combine the productive factors, [and] to bring them together", emphasises the creative and innovative activities performed by an entrepreneur, who is essentially an innovator. Yet Cunningham and Lischeron (1991, p. 45) argue that the innovation-focused approach may have excluded "the majority of those pursuing entrepreneurial and business activities" in that the majority of nascent entrepreneurs actually start out as reproducers or imitators rather than innovators (Aldrich & Kenworthy, 1999; Whittaker *et al*., 2009). After distinguishing innovators and reproducers in the light of outcome rather than intention of their actions, Bhave (1994) and Aldrich and Martinez (2001) contend that the overestimation of the entrepreneur's innovating capacity and personal traits has hidden the major role that reproduction or imitation plays in entrepreneurial processes.

Other researchers (e.g., Peterson, 1985) have referred to entrepreneurial processes as those in

which an entrepreneurial opportunity is identified and exploited. This opportunity-focused approach has been substantially developed by Shane and Venkataraman (2000, p. 218; also see Venkataraman, 1997), who view entrepreneurship as "how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited". In line with this thinking, the field of entrepreneurship research comprises of 1) the source of opportunities; 2) the processes of opportunity discovery, evaluation, and exploitation; and 3) the individual or individuals who perform the processes. According to the authors, the phenomenon of entrepreneurship can take place not only in new venture creation, but also within existing firms and even external to firms; the form that entrepreneurship takes depends on personal and environmental factors (Shane & Eckhardt, 2003).

By viewing entrepreneurial processes as a joint function of the characteristics of the opportunity and the cognitive and behavioural nature of the individual (Venkataraman, 1997), the opportunity-focused approach provides a possible solution to many of the prior debates. It puts emphasis on both the opportunity perception and exploitation, and the entrepreneur who perceives and exploits the opportunity. In their work, Shane and Venkataraman (2000) agree with prior studies (e.g., Amit, Glosten & Mueller, 1993; Casson, 1982) which hold that entrepreneurship can occur within an existing business organisation as well as through the creation of new organisations, so new firm creation is included but not necessarily required by entrepreneurship. Moreover, innovation is not excluded from the opportunity-focused approach. According to Shane and Venkataraman (2000), innovation is likely to happen at any point of time in the processes of opportunity discovery, evaluation, and exploitation.

1.1.3 Connection between the two fields

Despite the development and milestones achieved over time in both family business and entrepreneurship studies, there is a continuing overlooking of the ties between them. Family business was long excluded from entrepreneurship research, and has just recently

started appearing in the entrepreneurship literature, in a fragmented manner (Chrisman *et al*., 2005). Likewise, existing family business research lacks attention to entrepreneurship, probably because of the preoccupation with how the three subsystems of ownership, management, and family interact (Johannisson, 2002), which leaves, as Fletcher (2004, p. 36) notes, "no space for understanding of entrepreneurial processes and activities".

Such disconnection is concerning to a number of researchers (e.g., Aldrich & Cliff, 2003; Chrisman *et al*., 2003; Heck *et al*., 2008; Rogoff & Heck; 2003). From a contextual perspective, no entrepreneurship exists in vacuum (Rogoff & Heck, 2003). Studies isolating entrepreneurship from the context are problematic, whether the context is an impetus or impediment, or a mix of both. As is pointed out by Whittaker *et al*. (2009), investigations into the processes of entrepreneurship and the entrepreneur should include understanding of the contextual influences on both. Therefore, entrepreneurship research disregarding family businesses is incomplete and unconvincing, given the global phenomenon that most entrepreneurial businesses, especially small to medium-sized enterprises (SMEs), are in essence family owned and managed (Sharma, 2008), which comprises an important environment in which entrepreneurship grows.

It appears, however, that in the last few years "the two fields are moving ever closer together" (Anderson, Jack & Dodd, 2005, p. 135). More work on the significance of family matters to entrepreneurship, particularly through family businesses, has been conducted and documented. Connection between the two fields has received increasing recognition and has been constantly reinforced, even though the progress has just started and the gap is not yet closed (Craig *et al*., 2009). In such a background, this research is committed to contributing to the process of drawing the two fields closer.

1.2 China as a living laboratory

Although there are an increasing number of entrepreneurship researchers who acknowledge

the interaction of entrepreneurship with family business, and have started looking into this issue, most are working in the context of Western economies where established capitalism is in general entrepreneurship friendly (Heck *et al*., 2008). Family influences on entrepreneurship in developing, emerging, and transition economies have been relatively poorly researched (Anderson & Reeb, 2003; Miller & Le Breton Miller, 2005; Morck & Steier, 2005), regardless of the fact that in these economies "established family firms perform important functions relative to innovation and entrepreneurship" (Heck *et al*., 2008, p. 326). In order to obtain a deeper and more comprehensive understanding of the role that families play in the emergence and development of entrepreneurship, and *vice versa*, Heck *et al*. (2008) urge researchers to conduct more intensive ethnographic case research.

In line with this thinking, China provides a unique living laboratory in which entrepreneurship and family business can be jointly explored. Generally characterised by weak capital structures, limited legal protection for property rights, and high institutional uncertainty (Dana, 1999; Yang & Li, 2008), China's transition economy creates an environment in which entrepreneurship frequently presents and develops in a different pattern from the more advanced economies (Ahlstorm & Bruton, 2002). In the frequent absence of economic and institutional infrastructure that is supportive of private entrepreneurship, Chinese entrepreneurs tend to seek alternative sources of support, namely familial networks (Poutziouris & Chittenden, 1996). It is notable that families play a central role in almost all aspects of private entrepreneurship in China; they are the primary, usually the most durable and stable, source of capital, labour, intelligence, and psychological support (Pistrui, Huang, Oksoy, Jing & Welsch, 2001).

Although entrepreneurship has been a key catalyst for China's sustained economic growth in the past three decades (Xiang & Teng, 2008), historically, it was suppressed (Guiheux, 2006; Peng, 2004). Similarly, as a major vehicle of private entrepreneurship, family businesses virtually disappeared after 1956, when the private sector was eliminated and the centrally-planned economic system was established in China (Liao & Sohmen, 2001). Prior to the launch of a series of market-oriented economic reforms in the late 1970s and early

1980s, private entrepreneurship in China existed on an extremely small scale in the form of an "underground black market" (Liao & Sohmen, 2001, p. 27). Family businesses, like all other non-state enterprises, were considered an ideological and political taboo (Poutziouris, Wang & Chan, 2002; Zapalska & Edwards, 2001).

The rebirth of China's private entrepreneurship began in 1979, when the Chinese government officially endorsed a policy acknowledging the contributions of entrepreneurship to economic development as a supplement to the socialist economy (Dana, 1999). However, due to policy ambiguity and continued distrust of government, family businesses did not really boom until the 1988 Constitutional Amendment finally legalised private enterprises (Poutziouris *et al*., 2002). The development of what China now refers to as the "socialist market economy" is a gradual evolution from central planning to an economic system under which a preference for public ownership is maintained but a larger role of non-state sector is permitted and entrepreneurship is encouraged (Zapalska & Edwards, 2001). Family businesses, as observed by Pistrui *et al*. (2001), are not the only form in which entrepreneurship takes place in China, but they have become the engine and a major driving force behind Chinese entrepreneurship.

Despite the proactive role of China's policy-makers in facilitating entrepreneurship, many Chinese entrepreneurs, especially those in the private sector to which family businesses are categorised, find that their entrepreneurial activities are not consistently favoured by the institutional environment, where the legacy of former centrally-planned system often intervenes (Li & Matlay, 2006). Government policy in China has been notoriously volatile (Liao & Sohmen, 2001), which creates substantial uncertainty for Chinese private entrepreneurship. Although the Chinese Communist Party (CCP) leaders have publicly acknowledged that private entrepreneurs and capitalists can benefit the economy, the conservative faction in the CCP still tends to consider entrepreneurship and private enterprises as a potential threat to the party's legitimacy, ideology, administrative authority, and moral standards (Potter, 2004; Yang, 2002). Marxism remains the nominal dominant ideology, and all policies and practices must come within the bounds of socialism.

Compared to the former Soviet Union and Eastern Europe, whose reforms were rapid and comprehensive, China's approach has been described as gradual, partial, and experimental (Jones, 2004; Qian, Roland & Xu, 1999). As Overholt (1994) comments, China's focus is on the gradual construction of market institutions rather than destruction of socialist institutions, while in the former Soviet Union and Eastern Europe it was the other way around. Nee (1992) and Solinger (1995) point out that China has undergone a transition to a market economy with little alteration in its political structure. Although there is no evidence that political and ideological currents are able to draw China back to the pre-reform age (Kshetri, 2007), as long as the conflict between private entrepreneurship and the rigid political system remains, uncertainty over the future of private entrepreneurship will exist. A good justification for such uncertainty is the CCP conservative faction's actions to private entrepreneurs after the 1989 Tiananmen events. According to Ling (1998), the number of private enterprises was reduced by fifty per cent that year, as a result of tightening policies towards private entrepreneurship because it was considered a severe challenge to the CCP's dominance.

China's unique institutional environment has been described as a combination of socialist legacy, high context culture, and transition economy (Peng, 2000). Likewise, Krug and Hendrischke (2002) note that the Chinese institutional environment is rich in non-tradable inputs and resources, coupled with ill-functioning information markets, relatively weak property rights, and a lack of contractual security. On the other hand, Li and Matlay (2006) argue that the complex and unstable institutional environment in China can influence Chinese entrepreneurship not only negatively, but also positively. Holding a similar view, Yang (2004) submits that under certain socio-economic conditions, China's institutional structure can be a stimulus to entrepreneurship. He argues that in a transition economy institutional rules are often incomplete, ambiguous, and subject to frequent revisions, which leaves regulatory and organisational gaps where exploitable entrepreneurial opportunities are embedded. This view is echoed by Gibb and Li (2003), who conclude that entrepreneurial behaviour in China can be stimulated by inherent conditions of ambiguity and uncertainty.

Tan's (1996) empirical study indicates that the regulatory environment in China can sometimes lead to innovative, proactive, and risk-taking entrepreneurial strategies. However, these researchers' work implies that as the institutional structure improves in China, the institutionally embedded entrepreneurial opportunities and activities will decrease, or at least change (Li & Matlay, 2006). Entrepreneurs relying on these opportunities will have to find opportunities from other sources to sustain and grow their businesses.

To cope with institutional constraints, many Chinese entrepreneurs choose to establish and grow their business under a family umbrella, where they get easier and quicker access to support and resources, such as funding and labour (Liao & Sohmen, 2001). The marriage of entrepreneurship and family business in the Chinese context is explained by a number of researchers from a cultural perspective. Peng (2004) argues that Chinese culture, based on Confucian values, emphasises kin solidarity and trust, which plays an important role in protecting the property rights of private entrepreneurs when clear and effective property rights laws are missing from the institutional structure (cf., Li & Matlay, 2006). Zapalska and Edwards (2001) observe that Chinese culture has a strong commitment to family; by inheriting the traditional Chinese cultural legacy, many Chinese entrepreneurs perceive their business as an extension of their family, and believe that their entrepreneurial activities should increase wealth, status, and reputation for their family and descendants. Berger (1994) points out that in Chinese culture, family members and close relatives are far more trustworthy than other social members or organisations, and that contractual trust is relatively low in Chinese communities. Therefore, business transactions are often conducted through *guanxi* (personal network relationships), which is an important social capital for the entrepreneurs to create and grow their business as well as to seek legitimacy (Carlisle & Flynn, 2005). The most effective and reliable means to *guanxi* is familial networking (Gibb & Li, 2003).

Interestingly, Kirby and Fan (1995) conduct a study to assess the influence of Chinese culture on entrepreneurship by comparing sixty identifiable traditional Chinese cultural values and a list of commonly accepted entrepreneurial attributes. The findings indicate a

substantial overlap between the two lists, including perseverance, diligence, resourcefulness, emotional stability, integrity, intelligence, and harmony. On the other hand, certain entrepreneurial attributes appear to be contradictory to Chinese cultural values, such as a positive response to change, initiative, and profit orientation. Moreover, some important entrepreneurial values are lacking in Chinese cultural values, like creativity, innovation, and flexibility. The authors therefore conclude that Chinese culture is partially conducive to entrepreneurship but some strong cultural barriers may exist. Liao and Sohmen (2001) point out that Kirby and Fan's conclusion may be problematic because the lists they employ are not exhaustive, and some critical cultural values are neglected, such as the strong desire "to be one's own boss". Further, they note that entrepreneurship worldwide prospers despite the dominant culture, and cultural values are not unalterable; they may be influenced or directed by such factors as political ideology. Thus, although Chinese culture may contribute to the distinctiveness of China as a context for entrepreneurship and family business research, researchers need to be careful to avoid overly simplistic conclusions (Li & Matlay, 2006; Liao & Sohmen, 2001).

In China, many pioneer private entrepreneurs came from very small-scale activities in retail and services known as *getihu* (individual or household production) in the early years of the economic reforms (Liao & Sohmen, 2001). They were characterised by humble social status and low education of founders, who started their business as a means of subsistence because they were excluded from the state system (Tomisaka, 1995). Another group emerged in the mid-1980s, with higher social status and better control over and access to political, social, and economic resources (Chen, Li & Matlay, 2006). This group consists of former state-owned enterprise (SOE) engineers and managers. Many were college graduates or former military personnel (Xiang & Teng, 2008), who left their positions in the SOEs and started their own businesses, many of which were involved in production of inputs for SOEs (Liao & Sohmen, 2001). Fan, Chen and Kirby (1996) add that this group also includes those of peasant background who were former leaders of local government at township or village level.

The most recent group of private entrepreneurs, emerging since late 1990s, is the second-generation entrepreneurs in family businesses, who are taking over their founder parents' businesses (Li & Matlay, 2006). Chen, Li and Matlay (2006), echoed by Xiang and Teng (2008), observe that this new generation of entrepreneurs are commonly well educated and purposefully trained by their founder parents and have become new leaders of both the business and the family.

In addition to China's institutional environment evolution, the characteristics of second-generation entrepreneurs in Chinese family businesses make them ideal for this research. In contrast to their founder parents, this new generation of entrepreneurs have received much more formal education, but usually have less hands-on career experience (Xiang & Teng, 2008). They are eager to make better use of their knowledge and skills acquired from the training and education that they receive (Pistrui *et al*., 2001). In addition, they may have a stronger desire not only to maintain but also to extend the success of their business. They need their own distinctive achievement to prove that they are no longer children in the "shadow" of their founder parents' success. Therefore, they tend to be more entrepreneurial by seeking or creating more opportunities and pursuing more market outcomes in their favour. Further, Chinese households nowadays tend to be smaller, often with a single child per household, which also has an impact on family business development. The new-generation family business entrepreneurs may be obliged to be more market or contract-oriented, than family or relationship-oriented, in order to discover or create opportunities and acquire resources to exploit them (Pistrui *et al*., 2001). Prior research indicates that "political nimbleness" and "interpersonal harmony" (Liao & Sohmen, 2001, p. 30) are the distinct characteristics of most private entrepreneurs in China, as a result of the country's socio-economic and socio-cultural environment. However, this could be less true with China's second-generation family business entrepreneurs, and should be examined with care.

In sum, the sustained growth of Chinese entrepreneurship in family business, coupled with the unique institutional environment and cultural values, makes China an exciting context for

entrepreneurship and family business research, and characteristics of the newly emerging second-generation entrepreneurs in family businesses worthwhile for in-depth research. Despite an increasing amount of research into Chinese family business, most has been done in the overseas Chinese context, outside of mainland China (e.g., Carney & Gedajlovic, 2003; Collins, 2002; Lee & Chan, 1998; Mackie, 1992; Siu & Klandt, 2000; Weidenbaum, 1996; Yeung, 2000) and dedicated to a cultural perspective rather than an entrepreneurial perspective (e.g., Cheung & Chow, 2006; Chung & Yuen, 2003; Redding, 1995; Sheh, 2001; Tan & Fock, 2001; Tsui-Auch, 2003; Yan & Sorenson, 2006). There exists fragmented research attempting to identify entrepreneurs and entrepreneurship in Chinese family businesses (Entwisle, Henderson, Short, Bouma & Zhai, 1995; Gatfield & Youseff, 2001), but such literature has been either biographical about the founder's traits at a micro level, or about the general historical development of Chinese entrepreneurship at a macro level (Xiang & Teng, 2008). A coherent and comprehensive study in the context of China examining the influence of being a family business on entrepreneurship, especially in the second generation of the business, is yet to emerge.

1.3 Research question

Summing up and extending the discussion in this chapter so far, there has been a consensus on the significance of the notion of "familiness" for family business research, especially for understanding the essence of family business (Chrisman *et al*., 2005). On the other hand, entrepreneurship has been widely seen as a series of creative and results-oriented processes through which new means-ends relationships are established (Sarasvathy, 2001; 2008). While there has been a neglect of the intersection of family business and entrepreneurship research, the importance of including family business in the entrepreneurship literature, and *vice versa*, has been increasingly recognised. In the light of these developments, the research question naturally arises – How does "familiness" influence entrepreneurial processes?

There are two major constructs that frame this question, namely, "familiness" and entrepreneurial processes. Both constructs have been studied by researchers from diverse disciplines and a number of frameworks and approaches have been developed and employed to explore each of them. For example, to study the nature and attributes of family business, researchers have proposed the Three-Circle Model (Gersick *et al*., 1997; Taguiri & Davis, 1982), the Resource-Based Framework (Habbershon & Williams, 1999), and the Family Influence on Power, Experience, and Culture (F-PEC) Scale (Astrachan, Klein & Smyrnios, 2002; Klein, Astrachan & Smyrnios, 2005). Entrepreneurial processes, in turn, have been studied from a range of approaches such as new venture creation (Carter, Gartner & Reynolds, 1996; Gartner, 1988; Gartner & Carter, 2003), innovation (Aldrich & Kenworthy, 1999; Aldrich & Martinez, 2001; Schumpeter, 1934), and opportunity discovery, evaluation, and exploitation (Shane & Venkataraman, 2000; Venkataraman, 1997).

In contrast to the respective development of these two literatures, limited efforts have been made to uncover how "familiness" influences the entrepreneurial processes in family businesses. Although the existence of such influences has been acknowledged (Craig *et al*., 2009; Heck *et al*., 2008; Rogoff & Heck, 2003) and some researchers have made initial attempts to examine them both theoretically and empirically from various perspectives (e.g., Aldrich & Cliff, 2003; Dimov, 2007; Olson *et al*., 2003; Pistrui *et al*., 1997; Zahra, 2005; Zahra, Hayton & Salvato, 2004), the vision remains ambiguous and fragmented.

First, there are unfilled gaps in previous studies with regard to the understanding of the essence of "familiness" (Chrisman *et al*., 2005). Many researchers have equated certain types of family involvement with the concept of "familiness", particularly family resources, but some critical dimensions have been overlooked or discounted, such as business objectives, which leads the literature to be more presentational rather than representational.

Second, instead of examining *how* the family influences take place, the existing literature shows an overwhelming interest in evaluating the *effect* and *extent* of family influences on

entrepreneurship, in other words, whether the family influences impel or impede the firm's entrepreneurial activities or make no difference. However, without a solid understanding of *how* these influences take place, it is likely that what has been evaluated is in fact potential rather than actual influences (Rutherford *et al*., 2008). Incomplete knowledge about the "how" phenomenon leaves the evaluation results less instructive for family businesses to perceive and manage their "familiness" and in turn to enhance their entrepreneurship.

Thus, the research on interaction of family business with entrepreneurship is still a work in progress (Craig *et al*., 2009). To study entrepreneurship in family firms more thoroughly, as Heck *et al*. (2008, p. 325) suggest, there is a need for "intensive qualitative research including case studies and ethnographic cases". This research explores the uniqueness of China as a fast rising economic power, especially with regard to its private entrepreneurship growth, as mentioned above, and selects the Chinese family businesses as research subjects. In contrast to many prior entrepreneurship studies that are more interested in new business creation or start-up processes, this research investigates the "familiness" of existing family businesses and its influences on entrepreneurship. Thus, second-generation Chinese family businesses are deliberately chosen and focused on, helping to remove some of the ambiguities of first-generation businesses.

To sum up, the research question for this study is simply: *How does "familiness" influence entrepreneurial processes in second-generation Chinese family businesses?* The following chapters will be structured to clarify and explore this question, endeavouring to generate insights and thus promoting the evolution of family business and entrepreneurship research.

2. CONCEPTUALISATION

The last chapter provided an overview of the respective development of family business and entrepreneurship research. Drawing on such development and progress in the evolution of the family business and entrepreneurship literatures, the research question was proposed at the end of the last chapter. This chapter, in turn, will constitute an important step in the design of this research by taking a closer look at the two major constructs that the research question is built on, namely "familiness" and entrepreneurial processes.

The objective of this chapter is to clarify the meaning of the main concepts that underpin this research. On the one hand, the notion of "familiness" has provided a potential solution to the definition dilemma in family business research. The composition of this notion, however, is still largely ambiguous, which has significantly hindered the notion's legitimacy and applicability. Empirical results tend to be fragmented and contradictory, primarily because a holistic understanding of the notion is missing, hence the absence of an operational "familiness" framework. On the other hand, although entrepreneurship has now been commonly referred to as processes of opportunity perception and exploitation, how to capture and measure such processes remains unclear in the literature. In other words, what criteria can we use to determine entrepreneurship and the nature of the processes? These questions will be addressed in this chapter.

To achieve the above-mentioned objective, this chapter is organised as follows. The first section will examine the prior work on the notion of "familiness". Along with acknowledgement of its strengths is criticism of the prior framework's lack of comprehensiveness and operability. The second section will focus on opportunity approaches to entrepreneurship research, and Shane and Venkataramen's (2000) three-stage framework. In the third section, an operational framework of "familiness" is developed on a multi-dimensional basis, and a set of measures for entrepreneurial processes are proposed. The last section will summarise the chapter and provide the overall conceptual framework for

this research.

2.1 The notion of "familiness"

As mentioned in the last chapter, solid inroads have been made towards solving the long-standing family business definition dilemma. Development of the notion of "familiness" has broken through the restriction of conventional dichotomous thinking, which attempted to distinguish "family" and "non-family" businesses. Instead, by focusing on the family attributes of given businesses, the notion of "familiness" advocates a continuous approach to perceiving the family business. In a general sense, the emergence of the notion of "familiness" has advanced our understanding of family business, or the essence of this form of organisation (Chrisman, Chua & Sharma, 2005). Nonetheless, since the notion was initially proposed, perceptions on "familiness" have varied among researchers, and have become a subject of debate in the family business literature (Pearson, Carr & Shaw, 2008).

Habbershon and Williams (1999), the first presenters of the notion of "familiness", agree with Wortman (1994) that there is no unifying paradigm for family business research. To start developing a unified theoretical basis for family business research, the authors adopt the resource-based view (RBV) of the firm, emphasising the firm's internal attributes as a source of competitive advantage. This complements, and to some extent critiques, the work of Porter (1980, 1990), who argues that it is the firm's relation to the external environment, rather than the firm's internal attributes, that leads to strategic capabilities and advantages. The authors propose the term of "familiness" to describe such internal attributes of the family businesses, and incorporate systems theory with the RBV by arguing that the family attributes and influences on the business performance can be captured through a unique bundle of resources and capabilities generated from the interaction between the family unit, individual family members, and the business entity. According to Habbershon, Williams and MacMillan (2003, p. 451), familiness refers to "the idiosyncratic firm level bundle of resources and capabilities resulting from the system's interactions", a view echoed by

Chrisman, Chua and Litz (2003, p. 468) who describe it as "resources and capabilities related to family involvement and interactions".

Although the RBV notion of "familiness" has been acknowledged and applied by many researchers (e.g., Chrisman *et al*., 2003; Craig, Irava & Moores, 2011; Hayton, 2006; Simon & Hint, 2003; Tokarczyk, Hansen, Green & Down, 2007), its weaknesses and limitations are notable. Firstly, operationalisation of the RBV notion of "familiness" has proved rather difficult. Despite the seemingly tangible RBV definition of "familiness", there is in fact no empirical literature that has operationalised this definition by identifying and measuring these idiosyncratic resources and capabilities. One possible reason for the absence of such empirical studies is that the RBV itself seriously lacks specificity (Hoopes, Madsen & Walker, 2003). Priem and Butler (2001) argue that the RBV tends to be tautological, and that in accordance with the RBV definition anything in the firm can be, and in fact has already been, labelled a "resource". These comments are echoed by Armstrong and Shimizu (2007), who note that the RBV has an overly broad definition of resources, which has led to numerous ambiguities in research.

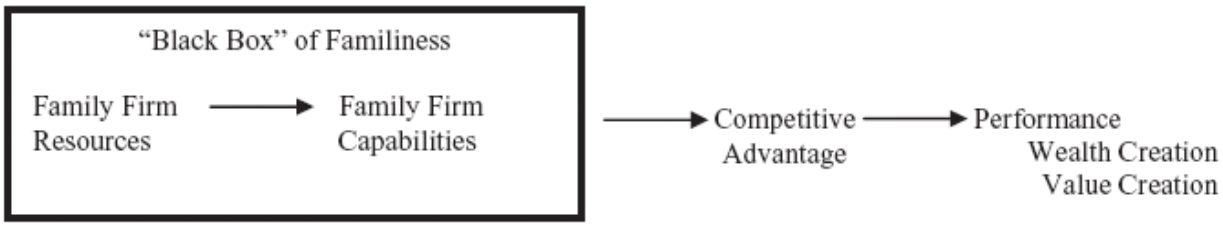

Figure 2.1 Resource-Based View Model of Familiness (Pearson *et al*., 2008)

Based on the RBV thinking (e.g., Barney, 1991; Grant, 1991; Hunt, 1995), Habbershon *et al*. (2003) propose that resources and capabilities in family businesses must be unique, inseparable, and synergistic to be qualified as "familiness". But again, the authors have not provided a means to operationalise these criteria, and the qualified resources and capabilities constituting "familiness" remain unspecified, which leads to Chrisman, Chua and Steier's (2005) call for studies on the sources and types of "familiness". As is noted by Pearson *et*

al. (2008, p. 952), the RBV notion of "familiness" remains a "black box" (see Figure 2.2).

Secondly, it is problematic to limit the concept of "familiness" to resources only. This limitation arises from positing the RBV as the theoretical basis for the notion of "familiness" (Pearson *et al*., 2008). Although Habbershon *et al*. (2003) incorporate systems theory into the notion of "familiness", and draw on firm level investigations into the degree and nature of the systemic family influences on the performance of the firm, they have exclusively assumed that the family attributes and influences are captured through idiosyncratic resources and capabilities generated from system interactions rather than anything else.

In line with the RBV thinking, Habbershon and Williams (1999, p. 11) classify firm resources into four categories: "physical capital resources (plant, raw materials, location, cash, access to capital, intellectual property), human capital resources (skills, knowledge, training, relationship), organizational capital resources (competencies, controls, policies, culture, information, technology), and process capital resources (knowledge, skills, disposition, and commitment to communication, leadership, and the team)". On the one hand, many of these are hardly idiosyncratic to family firms. On the other hand, even within such a broad pool of resources from which the RBV notion of "familiness" is generated, some critical factors are still missed out, such as business objectives. This may reduce the validity and reliability of the concept and slow down the exploration of the essence of family attributes in the business (Chrisman, Chua & Sharma, 2005). Therefore, there is a need to both tighten and extend the dimensionality of the notion of "familiness", for which resources are a necessary rather than a sufficient condition (Arregle, Hitt, Sirmon & Very, 2007; Pearson *et al*., 2008; Sharma, 2008).

Thirdly, although Habbershon and Williams (1999, p. 13) categorise "familiness" resources and capabilities into "distinctive" and "constrictive" by using the outcome criterion of whether they provide the family business with potential advantages or not, the RBV notion of "familiness" puts more focus on the distinctive rather than the constrictive capabilities, and

concludes that "familiness" produces competitive advantage and enhances business performance (e.g., Habberson *et al*., 2003; Tokarczyk *et al*., 2007). This unilateral approach tends to be subjective and impressionistic; it does not, and cannot, present a coherent and comprehensive understanding of family attributes. There is a stream of researchers who look into family attributes and influences that negatively affect the firm's management and performance in general (e.g., Gomez-Mejia, Nunez-Nickel & Gutierrez, 2001; Miller, Le Breton-Miller, Lester & Cannella, 2007; Schulze, Lubatkin & Dino, 2003), and entrepreneurship in particular (Hall, Melin & Nordqvist, 2001; Zahra, Hayton & Salvato, 2004). As is suggested by Heck, Hoy, Poutziouris and Steier (2008), both sides of family influences should be examined in order to develop a holistic understanding of "familiness".

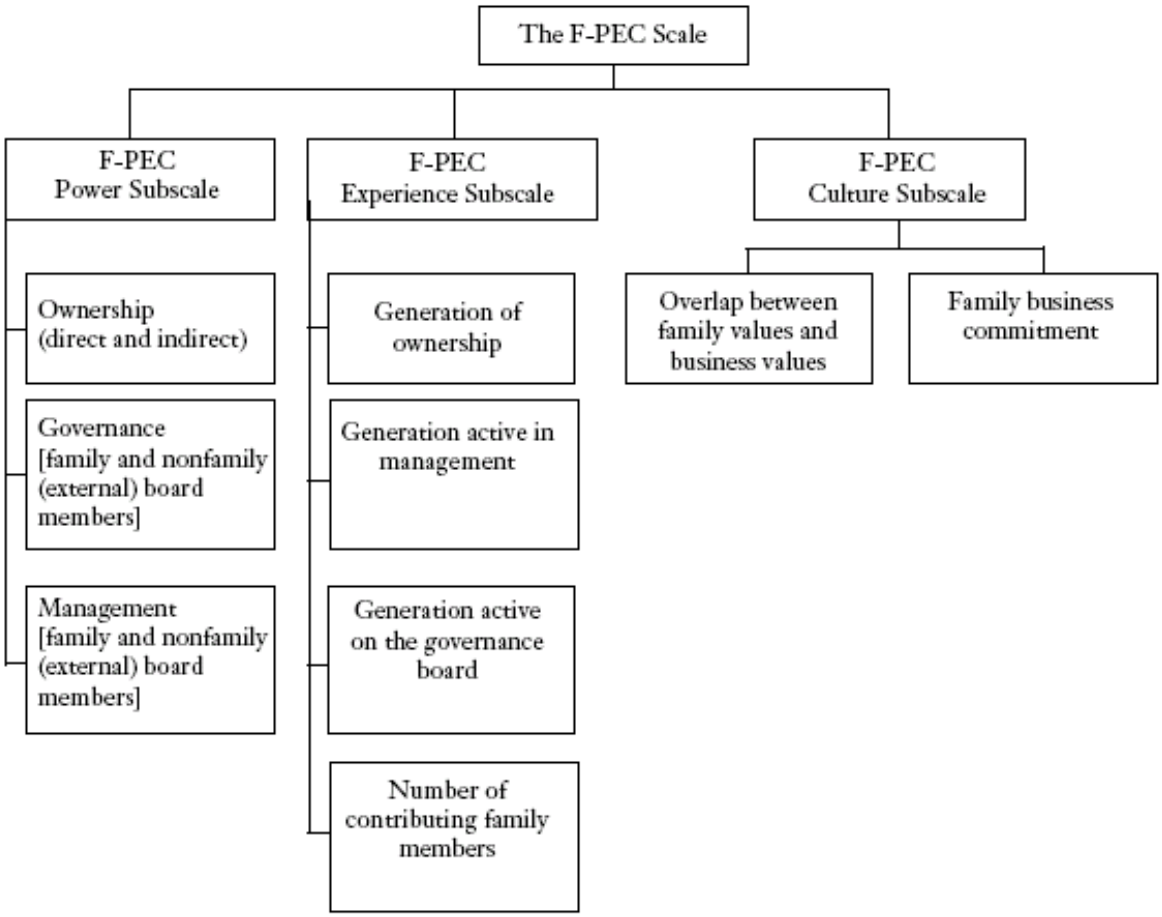

Figure 2.2 The F-PEC Scale (Astrachan *et al*., 2002)

The recent theoretical and empirical development of the F-PEC Scale provides a potential remedy to the shortcomings of the RBV notion of "familiness". After a detailed review of prior literature, Astrachan, Klein and Smyrnios (2002, p. 47) are convinced that the real issue pertaining to family business definition "is not whether a firm is family or non-family, but the extent and manner of family involvement in and influence on the enterprise". In line with this view, the authors propose a continuous rather than a dichotomous scale to reflect and measure the "familiness" of business organisations. Astrachan *et al*. (2002) and Klein, Astrachan and Smyrnios (2005) select three dimensions of family influence, comprising a scale, namely, power (family influences on ownership, governance and management of the firm), experience (information knowledge, judgment, and intuition that comes through successive generations), and culture (alignment of the family values with the business values). The framework was presented by Astrachan *et al*. (2002) and tested by Klein *et al*. (2005). Power was measured by the percentages of share ownership by family members and representation on the firm's board. Experience was measured by the number of generations of the family owning, managing, and actively governing the firm, respectively. Culture was reflected by the family's commitment, loyalty, and pride toward the firm. Their scale is named after these dimensions as F-PEC, which is illustrated as in Figure 2.2.

The development of F-PEC Scale is a notable advance in studies examining "familiness". For the first time in family business literature, it offers an operational instrument to measure the degree of "familiness" by using a multi-dimensional and continuous scale. It has been reviewed and applied by a number of researchers (e.g., Björnberg & Nicholson, 2007; Corbetta & Salvato, 2004; Jaskiewicz, Gonzálze, Menéndez & Schiereck, 2005; Rutherford, *et al*., 2008), most of whom note that a continuum is more valid and reliable than a dichotomy, and that the conceptual development of F-PEC Scale is a positive step towards creating and operationalising the multi-dimensional construct of "familiness" (Cliff & Jennings, 2005).

More recently, Rutherford *et al*. (2008) have conducted an empirical examination of the link between "familiness" and business performance by employing the F-PEC Scale. The

results indicate that the effects of "familiness" on businss performance depend on the "familiness" components and outcome measures. The authors further observe that although the F-PEC Scale can adequately capture the "familiness" in a given business, it does not capture the extent to which the business is operated as a vehicle to help achieve the vision of a better future for the family (Chrisman, Chua & Sharma, 2005; Chua, Sharma & Chrisman, 1999). Thus, it is likely that "the F-PEC Scale measures only the potential family influence and not whether that influence has been exploited to create the essence of a family business" (Rutherford *et al*., 2008, p. 1105). In a similar vein, Cliff and Jennings (2005) suspect that it may not be the level of family influence that matters in the business performance most, but rather the way that each family exerts its influence on the business. They suggest further in-depth exploration of different combinations of dimensions to emphasise the nature of family influence. In their conclusion, Rutherford *et al*. (2008) encourage researchers to measure actual family influences and find out what family firms are in fact doing with the "familiness" present in their organisations.

To sum up, the conceptualisation of "familiness" moves family business research forward by submitting that a possible solution to the family business definition dilemma is the type and extent of family attributes and their influences on the business, which create "more" or "less" of a family business, rather than a dichotomous categorisation of "family" or "non-family" businesses. Efforts have been directed to understanding the components and essence or consequence of "familiness" (Sharma, 2008) and the role that "familiness" plays in the firm's entrepreneurial processes (Heck *et al*., 2008).

This research is critical of the RBV notion of "familiness", which is restrictive to a bundle of usually unspecified resources and capabilities, and has a unilateral focus on the distinctive side of "familiness", with the constrictive side typically neglected. Also, the F-PEC Scale tends to be inapplicable to this research, mainly due to the ambiguities in its dimensions. For example, it is not clear what differs between the power dimension and the experience dimension, and how these dimensions reflect the way in which the business actually performs. Therefore, as Rutherford *et al*. (2008) note, the F-PEC Scale may hardly capture the actual

influences that the family has on the business. For the purpose of this research, "familiness" is perceived on three relevant dimensions, namely, business objectives, resources, and decision-making, with each dimension consisting of five sub-dimensions. These will be explained in more detail in the third section.

2.2 Entrepreneurial processes

Turning now to the progress in entrepreneurship studies, although many researchers have agreed that entrepreneurship research should have a focus on opportunities, there have been disagreements on the notion of entrepreneurial opportunity itself, which presents a significant theoretical dilemma for entrepreneurship research (McMullen, Plummer & Acs, 2007). Initially embraced by researchers, Shane and Venkataramen's (2000) opportunity discovery, evaluation, and exploitation (DEE) framework has recently been criticised, which suggests that the opportunity approach needs critical improvement or refinement.

Primarily, the DEE framework has assumed that opportunities are objective phenomena that exist independent of the entrepreneur's cognition, perceptions, and actions (Shane & Venkataraman, 2000), therefore "the task of ambitious entrepreneurs is to discover these opportunities – using whatever data collection techniques exist – and then exploit them – using whatever strategies are required – all as quickly as possible, before another entrepreneur discovers and exploits the opportunity", as Alvarez and Barney (2007, p. 11) comment. However, other researchers (e.g., Alvarez & Barney, 2005, 2007; Sarasvathy, 2001, 2008; Zahra, 2008) have argued that opportunities can also be created through the entrepreneur's actions. In contrast to the discovery perspective, the creation perspective posits that opportunities do not necessarily exist in previously established industries or markets; rather, it is the entrepreneur's actions, reactions, and enactment exploring new means-ends relationships that create the opportunities (Baker & Nelson, 2005; Sarasvathy, 2001, 2008). In addition to searching for opportunities in existing industries or markets, entrepreneurs can also "engage in an iterative learning process" (Alvarez & Barney, 2007, p.

11-12) that leads to the creation of an opportunity. Unlike discovered opportunities, the links of created opportunities with existing industries and markets are unknown before the opportunities are created. Alvarez and Barney (2007), among others (e.g., Zahra, 2008), have therefore proposed that opportunity creation, besides discovery, should be examined, which this research echoes.

From the creation perspective, the three-stage DEE framework appears overly simplified and idealised. It implies that entrepreneurial processes are a temporal sequence in which the entrepreneur first discovers the opportunity by searching in existing markets, then evaluates the opportunity by predicting its profitability, and eventually exploits the opportunity by acquiring and deploying resources. In line with this view, the entrepreneur is able to develop a clear and complete business plan when the opportunity is discovered and evaluated, and then implements the plan in a later stage (Alvarez & Barney, 2007). However, it has been noted that very few entrepreneurs start out with a clear business plan (Bhide, 2000). Instead, most entrepreneurs are in effect pursuing "ambiguous, changing and constructed goals" with a set of means over which they have some control (Sarasvathy, 2001, p. 244), and the opportunity may only be a potential one until it finds a market (Baker, Gedajlovic & Lubatkin, 2005; Sarasvathy, Dew, Velamuri & Venkataraman, 2003).

In most cases, entrepreneurial processes are not aligned. Rather, they are reversible, indeterminate, and dependent on the circumstances (Sarasvathy, 2001, 2008; Whittaker *et al*., 2009), which lead to market outcomes. Thus, opportunity perception and exploitation should be treated as non-linear and contingent rather than linear and predictable processes, and a market validity criterion should be added because entrepreneurship is eventually determined by outcomes rather than processes (Sarasvathy *et al*., 2003; Shane & Eckhardt, 2003; Zahra & Dess, 2001). In other words, rather than an aligning step-by-step sequence, opportunity creation, evaluation, and exploitation are iterative and interactive processes, making the supply and demand meet, and resulting in either improvement of existing markets or creation of new markets (Singh, 2000, 2001). As Whittaker *et al*. (2009) note, the means that the entrepreneur deploys in the processes have significant influence on the ends, though

the ends can also influence the means.

Despite the long-standing and considerable debates on what entrepreneurship is and how it can be approached, it is generally agreed that entrepreneurship is a cognitive and behavioural phenomenon, which can take place in virtually all organisations regardless of their sizes or types (Roupas, 2008), resulting in market outcomes (Davidsson, 2004; Gartner, 1988; Schumpeter, 1939). Entrepreneurial processes, in turn, have been conceptualised as the activities associated with the pursuit of the market outcomes. Mirroring the cognitive and behavioural attributes of entrepreneurship, Morris and Lewis (1995) and Woods (2006) note that entrepreneurial processes have attitudinal and behavioural components; the attitudinal component refers to the willingness of the entrepreneur or entrepreneurial team to embrace a perceived opportunity and tolerate the risk and uncertainty aroused by the opportunity, and the behavioural component refers to a set of activities taken to evaluate the opportunity as well as to acquire and deploy resources to exploit it.

In essence, it is noted that entrepreneurship is opportunity-focused, value-creating, resource-efficient, and performed by a lead entrepreneur or entrepreneurial team (Fry, 1993; Timmons, 1999). In this sense, Low and MacMillan's (1988) concern over the past studies for their failure to synthesise the insights generated to create a common ground for entrepreneurship research has been addressed generally, if not fully, because the process orientation (Davidsson, 2004) has received extensive acknowledgement. In accordance with the purpose of this research, entrepreneurial processes are treated as activities performed by the entrepreneur or entrepreneurial team through organisational means in which potential opportunities are discovered or recognised, followed by the gradual and reversible processes of opportunity creation and exploitation, resulting in market outcomes (cf., Whittaker *et al*., 2009). In the context of an existing business – a second-generation family business for example – such outcomes appear as the creation of new business streams based on new capabilities, innovation of existing products or processes, and so on. The entrepreneur in this research, in turn, refers to the person who plays a central role in these processes by making key decisions (Casson, 1982) with regard to the opportunity creation and

exploitation.

2.3 Conceptual operationalisation

Following the critical views in the last sections on the conceptualisation of the notion of "familiness" and entrepreneurial processes, respectively, operational frameworks of both constructs will be put forward and discussed in this section, on which the empirical work in this research are based.

2.3.1 The three-dimensional notion of "familiness"

Although family influences on entrepreneurship have recently attracted much more attention from researchers whose investigations are conducted from a range of perspectives, including family role in networking (Anderson, Jack & Dodd, 2005), risk-taking (Naldi, Nordqvist & Sjoberg, 2007; Zahra, 2005), organisational culture (Hall, Melin & Nordqvist, 2001; Zahra *et al*., 2004), and social capital management (Steier, 2001), such research appears to be diffuse and disjointed, and the findings do not corroborate each other. A review of relevant literature indicates that the under-development of research on entrepreneurship in family businesses might be a result of the lack of understanding of the family business *per se*. If the "what is a family business?" question[1] is not answered, the "how is entrepreneurship influenced?" question is not likely to be answered within the "family business" context. To investigate entrepreneurship in family businesses, an operationalised view of family businesses is needed, as well as a view of what is being influenced, or entrepreneurial processes as specified in this research.

First, drawing on the continuous thinking, and being critical of the RBV conceptualisation, the notion of "familiness" in this research will be examined on three relevant dimensions,

[1] As discussed in the previous section, the corrective of this question should be "how family is a business?" (Rutherford *et al.*, 2008).

namely, business objectives, resources, and decision-making, which are essential to the entrepreneurial processes. Business objectives are the fundamental elements from which the business operations are initiated. As commented by McMullen, Plummer and Acs (2007), entrepreneurs are often engaged in objective-oriented behaviour, and the business objectives can influence virtually all business activities in an organisation, including those associated with its entrepreneurial processes. For example, a potential entrepreneurial opportunity can be perceived and evaluated against the business objectives, and thus the entrepreneur's motivation or willingness to further create and exploit the opportunity by venturing into entrepreneurship is influenced.

To include the dimension of business objectives in the "familiness" construct makes it possible not only to determine the degree of a business being "family", but also to shed light on why the business chooses to, or not to, undertake entrepreneurship. In line with the literature (Aldrich & Cliff, 2003; Astrachan *et al.*, 2002; Chrisman, Chua & Litz, 2003; Habbershon *et al.*, 2003; Handler, 1989; Ward, 1987), five specific business objectives, which are largely distinctive to small to medium-sized family businesses, are chosen for the examination on this dimension, namely the pursuit for family wealth, family values, family employment, family reputation and social status, and continuation through succession. Investigating these criteria helps capture and measure the degree of "familiness" and the means by which entrepreneurial activities are performed in the organisation, such as the way that an opportunity is evaluated.

Resources are the basis on which Habbershon and Williams (1999) conceptualise the notion of "familiness". Although this research rejects the idea that "familiness" is solely comprised of resources, it admits the significance of resources as an indispensable component of "familiness" and a crucial element for entrepreneurship. Indeed, resources play a critical role in entrepreneurial processes, and a key task that the entrepreneur takes is to determine, access, and deploy the necessary and appropriate resources for a desirable outcome (Morris, 1998). This argument is echoed by Bergmann-Lichtenstein and Brush (2001) and Stevenson, Roberts and Grousbeck (1994), who view entrepreneurship as a

process of identification, acquisition, and accumulation of resources to take advantage of perceived opportunities. Similarly, Chrisman, Bauerschmidt and Hofer (1998) affirm that entrepreneurial processes involve a match between opportunities and resources. After reviewing the relationship between family business and entrepreneurship research, Chrisman, Chua and Steier (2003) conclude that entrepreneurial processes in small to medium-sized family businesses are typically influenced by how the family resources are exploited and deployed. This research examines five types of resources from the family system that constitute the "familiness" resources: finance, trust, *guanxi* networks, knowledge and expertise, and organisational culture.

The third "familiness" dimension concerns the way in which the business is managed and operated. In essence, decision-making is crucial for any business management practice and exists in every aspect of the business operations. Being the processes of identifying problems and opportunities and then resolving them (Howard, 1988), decision-making is highly relevant to entrepreneurship studies. As Shane and Venkataraman (2000) note, entrepreneurship requires a decision to act on a perceived potential entrepreneurial opportunity, and an entrepreneur is typically a specialist decision-maker (Casson & Wadeson, 2007). To some extent, it is the decision-making activities that make the entrepreneurial processes possible to emerge and continue. In addition to the person who makes key decisions in the business, or the entrepreneur as this research specifies, the way in which decisions are made can both reflect the family attributes of the business and have important influences on the firm's entrepreneurial activities. To examine the decision-making processes in family businesses, this research selects five sub-dimensions as criteria for investigation, namely the "second person", the participation in decision-making, the consultation, the implementation, and the decision review.

Figure 2.3 depicts the three-dimensional notion of "familiness", with the fifteen sub-dimensions, or criteria, which will be used in the investigation of the "family aspect" of the businesses in the later chapters. It is argued that actual, rather than potential, family attributes of, and family influences on, the business can be reasonably captured through the

three dimensions of business objectives, resources, and decision-making (cf., Rutherford, *et al.*, 2008). Unlike the RBV notion of "familiness", which exclusively emphasises the importance of family resources in the management of family businesses, this framework has a broader view by including the business objectives, which is potentially indicative of the attitudinal orientations of the business, and decision-making, which is largely useful for understanding the notion from a behavioural perspective. Also, in contrast to the F-PEC Scale, these three dimensions not only measure the extent to which the family involves itself in a given firm, but also look into the way in which the family exerts its influence on the business. In addition, the F-PEC Scale attempts to quantify and measure family influence, a relatively subjective rather than objective phenomenon, by using quantitative methods, which is not fully realistic. By proposing the three dimensions to the notion of "familiness", it is possible for more in-depth and descriptive qualitative data, rather than purely statistical and numerical data, to be generated from a variety of sources both within and external to the family and the business. Thus, a better understanding of "familiness" is achievable.

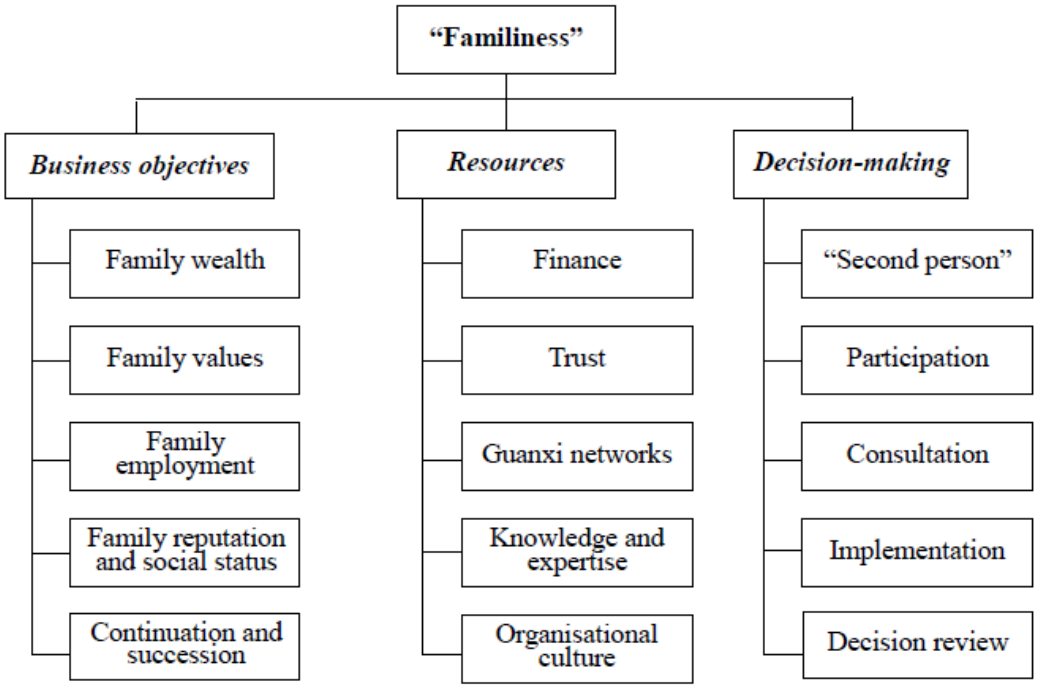

Figure 2.3 An operational view of "familiness"

2.3.2 Family orientation versus market orientation

In order to reflect and visualise the extent of "familiness" in a given business, this research proposes two ideal types of business, namely, family-oriented and market-oriented, an approach adapted from Whittaker (1990) and Dore and Whittaker (2001), who propose two ideal types of industrial relations systems – organisation-oriented and market-oriented. "Familiness" of given businesses will be assessed on the three dimensions as proposed previously, each with five sub-dimensions as five criteria. By using both statistical and interpretive methods in the "familiness" evaluation, strategic orientations of the family businesses can be captured and located on a continuum between the FO (family orientation) and MO (market orientation) poles.

The proposal of an FO-MO continuum builds on the work of Parsons (1951, 1977) who, among others, formulates a theoretical approach to interpret the typology of values and norms in different societies by arguing that there are two types of values that individuals orient themselves in social interactions, namely, expressive and instrumental. Both can be approached by using five pattern variables which present polar alternatives, including 1) ascription and achievement; 2) diffuseness and specificity; 3) affectivity and affectivity neutrality; 4) particularism and universalism; and 5) collective orientation and self orientation (Parsons, 1977). According to the author, the left side of these dichotomies represents traditional values, while the right side represents modern values.[2]

Parsons' (1951, 1977) pattern variables are potentially useful for measuring the value orientations of family businesses. The "more family" businesses are oriented more by family values and interests in the business, which can be interpreted as being expressive, and the "less family" businesses, on the other hand, tend to be more instrumental and oriented by achievement, specificity, affectivity neutrality, universalism, and a self orientation, in other words, by "contract" rather than "status". Instead of concentrating more on the family side,

[2] Similar distinctions include Tönnies' (1887/1957) *Gemeinschaft* vs. *Gesellschaft* (community vs. society) and Maine's (1861) contract vs. status.

family businesses with relatively low "familiness" typically place more emphasis on the market or contractual side, and therefore focus more on the market relations (Tokarczyk *et al.*, 2007). In this regard, the application of an FO-MO continuum helps to measure and present the "familiness" of businesses, in addition to their strategic orientations (cf., Gudmundson, Hartman & Tower, 1999; Leenders & Waarts, 2003).

2.3.3 Entrepreneurial processes: opportunity and innovation

Similar to the notion of "familiness", the conceptualisation of entrepreneurial processes remains largely a theoretical discussion, rather than empirical application. For the purpose of this research, entrepreneurial processes will be assessed through the attitudes and behaviours of decision-making entrepreneur as well as business processes in the opportunity creation and exploitation activities, coupled with examination of the type of opportunity and the nature of the outcomes. In the meantime, a valid outcome is emphasised in this research as the screening criterion for entrepreneurial processes, in line with the argument that entrepreneurship is eventually determined by outcomes of the processes, rather than the undertaking of the processes (e.g., Sarasvathy *et al.*, 2003; Shane & Eckhardt, 2003; Zahra & Dess, 2001).

Having second-generation family businesses as the research focus, this research is particularly interested in how the existing businesses are changed from their first generation after succession. As Beck, Janssens, Debruyne and Lommelen (2011) point out, in trans-generational family businesses, the extent to which the business practices differ from the early generations is an important indication of the entrepreneurial profile of the business. Changes strengthening and promoting the market performance of the business are valid outcomes of the entrepreneurial processes (Woods, 2006). This echoes the Schumpeterian tradition, which advocates that innovation be "a defining characteristic" of entrepreneurship (Whittaker *et al*., p. 79; see also Iwai, 1984; Segerstrom, 1991).

Therefore, this research views innovation as both a screening criterion and the outcome of entrepreneurial processes (cf., Dodgson, 2011). Here, as this research focuses on small to medium-sized Chinese family businesses whose ability to produce "novel innovations"[3] is often restricted by their R&D input and access to market information (Zhou, 2006), innovations are broadly defined in this research, referring to the continuum between an imitation extreme and an innovation extreme[4] as a general guideline (Dobson & Safarian, 2008; Iwai, 1984; Whittaker *et al*., 2009). In line with the nature of small to medium-sized Chinese family businesses, it is non-novel innovations, rather than novel innovations, that this research will measure as outcomes of entrepreneurial processes. Thus, the existing businesses and capabilities will be used as a reference to determine the extent to which the entrepreneurial and innovative activities have changed the businesses. Five criteria will be employed to assess the entrepreneurial processes, including 1) the initial motivation/intention, 2) source of initial idea, 3) use of existing resources, 4) relevance of the created opportunity to the existing business, and 5) relevance of the outcome to existing business.

The first criterion assesses the initial motivation for, or the trigger of, the entrepreneurial processes in the businesses. Motivations vary between businesses, and the triggers can be complex, usually involving a combination of factors at both the firm level and the individual level, in either economic or non-economic terms (Kahneman & Tversky, 1979). However, it is generally possible to track whether the businesses start their opportunity creation activities intending to maintain and reinforce the existing capabilities or to change, or renew, the existing business with new capabilities. For example, both Davis (1983) and Gudmundson *et al.* (1999) describe an inward orientation, which is typically evident among family businesses who start being entrepreneurial and innovative as they attempt to survive from one generation to the next (Ward, 1987). This argument assumes that many entrepreneurial family businesses have a focus on their existing business, and therefore produce less radical innovations than those who are more outward-oriented and less reluctant

[3] In innovation studies, the newness of an innovation is usually measured against the business and the industry. Novel innovations are new to both the business and the industry, and non-novel innovations are new to the business but not to the industry (Whittaker *et al*., 2009).

[4] The imitation extreme represents pure clone of existing products and services, while the innovation extreme represents innovations that are entirely new to the market and industry. Between the extremes are innovations that are new to the business or local market but not to the industry (Whittaker *et al*., 2009; Zhou, 2006).

to change the existing businesses. By assessing the initial motivation/intention for entrepreneurial activities, this research will not only test this assumption, but also shed light on the relevance of entrepreneurship to the "familiness" in family businesses.

The second criterion examines the source of initial idea for entrepreneurial and innovative activities. According to Anderson *et al.* (2005), small to medium-sized family businesses are used to receiving valuable market or product information from the owner-manager's family networks. This is largely because small businesses usually have limited capacity to access such information by organisational means (Davidsson, 1991; Whittaker, 1999), and sources accessed through family networks are easily considered reliable and approachable (Rutherford, Muse & Osward, 2006), presumably because of the relatively high level of trust between family members on the basis of goodwill and kinship (cf., Sako, 1992). Investigating the source of initial entrepreneurial idea will help determine the attitude and behaviours of the owner-managers and their businesses in the entrepreneurial processes.

The third criterion looks into the use of existing resources in the opportunity creation and exploitation activities, and evaluates the extent to which the businesses rely on existing resources for their entrepreneurial processes. In a general sense, if the business has a heavy reliance on the existing resources over which it has control, then the entrepreneurial activities may be inclined to strengthening the existing business (cf., Gudmundson *et al.*, 1999), and the entrepreneur, or the entrepreneurial team, is mainly engaged with the (re)deployment of the existing resources, without having to acquire new resources. In essence, this criterion is related to the nature of opportunity that is created and exploited, which is mainly assessed by the next criterion. If the opportunity is highly relevant to the existing business, then presumably there is a less need for the acquisition of new resources. However, as observed by Verhees and Meulenberg (2004) and Whittaker (1999), small businesses are often capable of creating opportunities of less relevance to the existing business by re-organising their existing resources.

The fourth criterion, as mentioned above, investigates the relevance of the created opportunity to the existing business. Although entrepreneurial processes are difficult to predict or measure (Sarasvathy, 2001, 2008), and a clear business plan is frequently missing (Bhide, 2000), the entrepreneur's attitudes and behaviours through the processes still have an impact on the type and nature of the opportunity that is created. For example, a market-oriented entrepreneur would normally prefer creating an opportunity to address market demand, while a family-oriented entrepreneur might pay more attention to the supply side (Stevenson, Roberts & Grousbeck, 1994), and endeavour to create an opportunity relevant to the existing business. Therefore, investigating the nature of opportunity can generate useful insights into the strategic orientation of the business.

The last criterion employed to investigate entrepreneurial processes is actually the outcome of the opportunity creation and exploitation. As mentioned above, entrepreneurial processes are valid only when there is an outcome (Sarasvathy *et al.*, 2003; Shane & Eckhardt, 2003; Zahra & Dess, 2001). This criterion, therefore, focuses on the relevance of the outcome to the existing business. In other words, for the purpose of this research, it is the innovation that will be assessed with reference to the existing business and capabilities of the second-generation family businesses. Here, including the innovation outcome as a criterion for the entrepreneurial processes not only helps validate the processes, but also develops a link to the "familiness" conceptualisation. The literature argues that a positive relationship exists between the firm's market orientation and radical innovation (Beck *et al.*, 2011; Bennett & Cooper, 1981; Dibrell, Craig & Hansen, 2010), so does it between the firm's family orientation and continuous or incremental innovation (Gallo, 1995; Harris, Martinez & Ward, 1994; Leenders & Waats, 2003; Zahra, 2005). These arguments will be examined by this innovation outcome criterion with reference to the "familiness" findings.

Entrepreneurial processes are comprised of a range of cognitive and behavioural activities, which are not easily evaluated due to their changing nature (Woods, 2006). However, drawing from the understanding of entrepreneurship as at the nexus of perceived and exploited opportunities and individual entrepreneurs (Shane, 2003; Shane & Eckhardt, 2003),

this research is designed to assess the entrepreneurial processes through the five criteria as discussed above. By investigating the motivation for entrepreneurial activities, the recognition of potential opportunities, the use of resources, the nature of opportunities, and the nature of outcomes, the attitudes and behaviours of the owner-managers and their businesses in the entrepreneurial processes will be measured, and related to the "familiness" data to yield insights on the family influences on entrepreneurship in second-generation Chinese family businesses.

2.4 Research framework and chapter summary

In the last decade, substantial inroads have been achieved in the conceptualisation of both "familiness" and entrepreneurial processes. However, application of these concepts in empirical work is still very difficult, primarily because their lack of operability. Therefore, it is necessary to operationalise the concepts by carefully selecting relevant components for the purpose of this research.

The notion of "familiness" needs a comprehensive view to be persuasive. Three dimensions of business objectives, resources, and decision-making, covering both cognitive and behavioural perspectives are proposed. Each dimension comprises five sub-dimensions as criteria for measuring the value orientation of the business in its management and operations. The design of the FO-MO continuum as a means to present the "familiness" findings will help visualise the qualitative data, and enable a comparison with the entrepreneurship findings. On the other hand, entrepreneurial processes are interpreted as a series of cognitive and behavioural activities creating and exploiting opportunities, with favourable changes, or innovations, as outcomes. Therefore, the processes can be adequately captured through the entrepreneur's attitudes and behaviours in the business in the opportunity creation and exploitation processes, the nature of the opportunity, and the nature of the innovation outcomes. Five criteria have been proposed from this perspective, with consideration given to their relevance to the "familiness" conceptualisation.

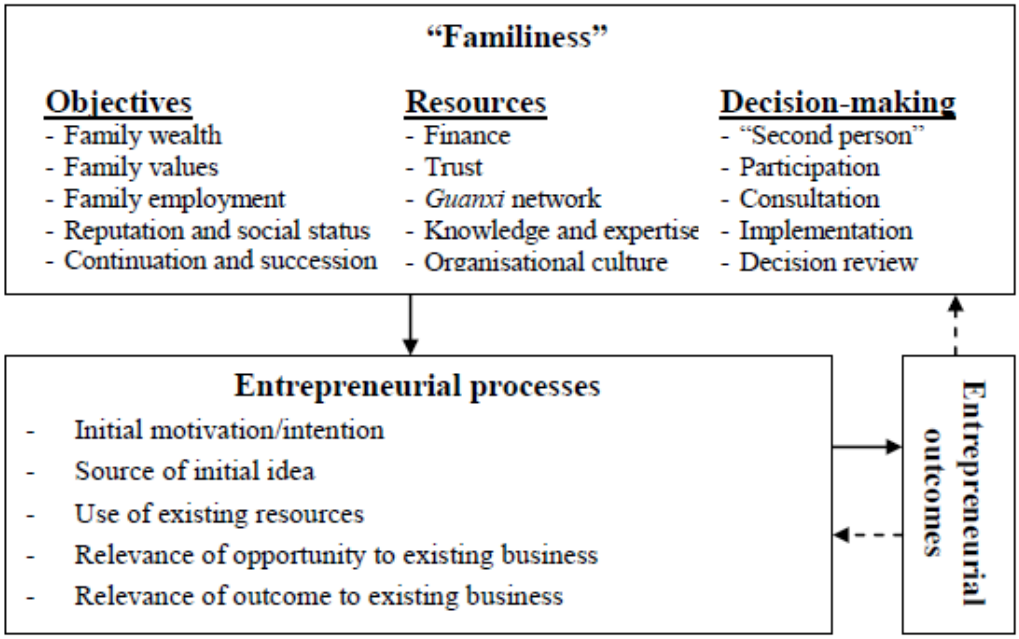

Figure 2.4 Research framework

In short, Figure 2.4 combines the "familiness" and entrepreneurial processes conceptualisation into the general research framework to guide this research. The arrows refer to the "familiness" influences on entrepreneurial processes, which is what the research question is committed to uncovering. The broken lines indicate the potential influences that entrepreneurial outcomes can have on the "familiness" of the business and the entrepreneurial processes. Although these influences are not a focus in this research, the existence of such feedback loops should be kept in mind, primarily for a future research agenda.

3. METHODS AND METHODOLOGY

Having (re)conceptualised and operationalised "familiness" and entrepreneurial processes in the last chapter, we now turn to the design of the research by outlining the research methods used with relation to the data collection and analysis. Also included in this chapter are the explanation and justification of the selection of the specific research methods.

Here, the term "methods" generally refers to the techniques employed in the research process to assist acquisition, recording, and interpretation of data, which are relevant and insightful as to yielding usefulness to answer the research questions (Yin, 2003). As Bryman (2008, p. 160) notes, in social sciences in particular, research methods typically include "instruments of data collection like questionnaires, interviews or observations; … tools used for analysing data, [like] statistical techniques or extracting themes from unstructured data; [and] aspects of the research process like sampling". In essence, it is the purpose of research that determines what methods are used. On the other hand, the specific circumstances in relation with the researcher and the subjects under investigation, may have an impact on the availability or suitability of certain methods, especially when the research engages with human cognition and behaviours (Bryman & Cassell, 2006). Therefore, in social scientific inquiries the selection of research methods needs to pay reasonable attention to the settings in which the research is conducted, and refinements and adjustments to the methods are necessary at times as the research progresses (Yin, 1989, 1993).

Methodology, in turn, is broadly defined as the way in which research questions are approached and answers sought, or simply "how research is conducted" (Taylor & Bogdan, 1998, p. 3). In a more specific sense, methodology refers to "the study of the research methods" (Bryman, 2008, p. 160). In other words, methodology itself is a work of analytical nature, justifying the necessity and rationality of the methods employed in the research. Two major theoretical perspectives have long dominated the social sciences methodology – the positivist perspective (Durkheim, 1938, 1951) and the interpretive

perspective (Ferguson, Ferguson & Taylor, 1992). The former adopts a natural science model of research, seeking the objective facts or causes of certain social phenomena, regardless of the subjective states of individuals. Methods like questionnaires and demography are often employed by positivist researchers, who often produce their data in numerical or mathematical forms, for statistical analysis. The latter, also known as the phenomenological perspective (Taylor & Bogdan, 1998), examines the social phenomena through the actor's lens. In other words, from this perspective, the objective world is understood through people's subjective perceptions. The most frequently used methods include interviews and participant observation, which typically yield descriptive data for interpretive analysis.

To determine which methodological perspective is more suitable, and what combination of research methods is most effective, this chapter starts with a discussion on the nature of this research, which sets the overall methodological approach, followed by the second section, which focuses on the data collection methods and issues associated with the use of these methods. The third section, in turn, will outline the techniques employed for data analysis. Issues arising from these processes are also addressed, such as transcription, translation, and presentation, before the chapter is concluded and summarised.

3.1 Nature of this research

Different kinds of research require different kinds of methods and methodology. In research design, the types of research question asked and answers sought are important indicators of the nature of the research, and hence determinants for the selection of a set of suitable research methods. According to Eisenhardt and Graebner (2007), when the question under investigation has not been addressed by existing studies, or what has been done is inadequate with partial or even potentially unsound conclusions, it will be convincing for the researcher to choose a qualitative research approach. This research examines entrepreneurship in family business by investigating family influences on entrepreneurial

processes in the second-generation Chinese family businesses, which involves cognitive and behavioural phenomena not well known or understood. To explore and understand social phenomena of this nature, and to start an inquiry into a field that is relatively unfamiliar and under-researched, a qualitative, case study approach is deemed as appropriate and justifiable (Yin, 1989, 1993).

As noted in the last chapters, there is a lack of understanding on how entrepreneurial processes in family businesses are influenced by "familiness". On the one hand, according to Heck, Hoy, Poutziouris and Steier (2008, p. 318), "the bulk of research conducted within business schools has ignored the family dimension of enterprises." The authors therefore call on researchers to conduct more exploratory work and develop entrepreneurship theories by taking into account the family role in entrepreneurial processes, which is challenging but potentially rewarding. On the other hand, it has been observed by Rutherford, Kuratko and Holt (2008) that existing research has not found out what family businesses are actually doing with their "familiness" in relation to entrepreneurship, and that a dominant theory or conclusive evidence on the interaction of family business with entrepreneurship is yet to be produced. Existing research that looks into the way in which "familiness" influences entrepreneurial processes in family businesses is still nascent. Relevant empirical work in the second-generation Chinese family business settings is, in fact, non-existent.

To find out how "familiness" influences entrepreneurial processes in second-generation Chinese family businesses, this research examines the components and extent of "familiness" in given businesses and the way in which this influences entrepreneurial activities in these businesses with regard to opportunity creation and exploitation, which lead to innovation outcomes. As discussed previously, an underpinning theory for research on interaction of family businesses with entrepreneurship has yet to emerge, and promising data for research of this nature have not been systematically obtained. As a result, profound understanding of entrepreneurship in family businesses is lacking. Therefore, a qualitative research approach is deemed appropriate. Employing a qualitative research approach provides methods to support understanding of what is likely to be found when current information tends to be

inadequate (Morse & Richards, 2002). Marshal and Rossman (1999, p. 16) submit that a qualitative study provides "quality, depth and richness in the findings" and "a thick description" which is critical to ensure the gathering of appropriate data for the research in progress. One objective of this research is to provide empirical evidence for theorisation on entrepreneurship in family business, which reinforces the rationale of employing qualitative research methods, because descriptive and subjective data are required for the generation of systematic insights, with which conceptualisation and theorisation on social relations become possible (Collis & Hussey, 2003).

There are a number of methods for conducting a qualitative investigation. To decide what methods best serve this research, it is helpful to employ the three criteria proposed by Yin (1989, 2003), namely, the form of research question, the researcher's control over the behaviours under investigation, and the focus on contemporary events (cf., Robson, 1993; Patton, 1980, 2002). In his influential work, Yin (1989, 2003) clarifies that research questions asking "what" normally leads to an exploratory study, so that pertinent hypotheses and propositions are developed for future inquiry. In this case, the researcher has a relatively wide choice of research methods, and all the five common research methods can be used, including exploratory experiment, survey, archival analysis, history, and case study. In the meantime, research questions starting with "who", "where", and "how many" or "how much" are typically committed to describing incidence or prevalence, or predicting certain outcomes, of a social event, in which case survey and archival analysis tend to be more effective than others. Questions starting with "how" and "why" are more likely to be associated with operational links, and require the researcher to trace phenomena over time, rather than focusing on individual incidences. Therefore, the use of histories and case studies are often preferred.

This research, as posed previously, asks a "how" question of the relationship between "familiness" and entrepreneurial processes in second-generation Chinese family businesses. This "how" question requires investigation of the interplay between the two constructs over a period of time, as opposed to an individual incidence about the family attributes or the

entrepreneurial behaviours in the business at a certain point of time. In other words, it is a range of processes and behaviours that this research deals with. Thus, rather than certain individual incidences, it is the range of critical incidences, in both the family and the business, throughout the entire entrepreneurial processes, that yield the most insights for answering the particular research question. In this sense, surveys and archival analysis appear to be less effective methods for this research (cf., Yin, 1989, 2003).

Moreover, after an inspection against Yin's (1989, 2003) two other criteria on the researcher's control over behaviours and the focus on contemporary events, experiments and histories are apparently not ideal for this research. Although experiments method can generate relatively reliable data by repeating the same practice, or grouping the same subjects in different ways to minimise possible participant bias (Taylor & Bogdan, 1998), they have relatively high requirements on the researcher's ability to control the behaviours under investigation, so that the researcher is able to maneuver the experimental settings to investigate each variable in depth (Boruch & Foley, 2000). This research focuses on the family attributes and entrepreneurial processes in family businesses, and does not provide social experimental conditions. Neither of the constructs is approachable by experiments, because without in-depth understanding of the range of critical incidences in the owner-manager's family and the actual paths to, and practices in, entrepreneurship, social experiments are unlikely to be designed in a logical and realistic sense.

On the other hand, histories have typically been proven most effective in research dealing with the far past, which the researcher is virtually unable to access or control (Yin, 2003). In other words, the events have little to do with contemporary behaviours, and often with no relevant person alive to provide information about what actually happened. In this case, the researcher will have to rely on primary and secondary documents, in addition to cultural and physical artifacts, for valuable evidence and information. Obviously, these conditions are not part of the nature of this research, which focuses on contemporary behaviours, although they do have a historical dimension – such as the family business succession and its influence on the second-generation "familiness", and the development and accumulation of intention

and skills in relation to entrepreneurial activities. As the research focus is on contemporary and ongoing phenomena, there are a number of approachable sources of information, including people in and around the actors and the entrepreneurial second-generation Chinese family businesses of this research. Therefore, the method of histories does not ideally serve the nature of this research.

In light of the above discussions, case study stands out as appropriate and effective for this research. According to Robson (1993), case study is a comprehensive research strategy that allows researchers to use multiple methods and sources of evidence or data collection so that a wealth of description can be achieved when investigating a contemporary phenomenon (Somekh & Lewin, 2005). Similarly, Yin (2003, p. 13) notes that case study enables the researcher to investigate "a contemporary phenomenon within its real-life context" by using multiple methods and sources of data collection, such as interviews and participant observations. Considering the phenomena under investigation in this research, both constructs of "familiness" and entrepreneurial processes, as well as the influences of the former on the latter, are embedded in organisational and social settings. Case studies are therefore appropriate as they enable a better understanding of the culture and values, in which the phenomena exist (Yin, 2003). Being able to yield richness in the descriptive and subjective data, the case study method is effective in providing empirical evidence for theorisation endeavours (Eisenhardt, 1989; Wilson, 2005), which comprises an aim of this research.

Last but not least, this research employs a multiple case study approach by selecting a number of second-generation Chinese family businesses, which are active in entrepreneurship. Each business is referred to as a single case (Yin, 2003). According to Miles and Huberman (1994), a multiple case study design contains an in-depth analysis within each case, together with a cross-case analysis, so that differences and similarities between cases can be identified, which in turn enables more insights to help the researcher to develop a deeper understanding of the phenomenon under investigation. Jankowicz (1992) and Miles and Huberman (1994) agree that a multiple case study method facilitates

comparative study in which differences and similarities across cases can be systematically examined. This provides a foundation for the generation of insights into the phenomenon when findings are analysed and interpreted. In line with this thinking, Yin (2003) comments that a multiple case study is able to provides more rigorous and robust results than a single case study. Given the nature of this research as exploratory and phenomenological, such rigour and robustness will be helpful for the emergence of insights and implications, and add value to the outcomes of this research.

3.2 Fieldwork

The nature of this research has not just determined the methodological approach, but also required a fieldwork component as the main means to observe the phenomena and gather insightful data. As Taylor and Bogdan (1998, p. 3) note, the qualitative researcher is encouraged to go in the field and "go to the people", because truly interesting qualitative data are always from the field, where phenomena develop into what they are. This section outlines the main methods used in the fieldwork, including case interviews and researcher's observations. Activities before, during, and after the fieldwork in relation to data collection and collation will be introduced and explained in the following paragraphs. Emphasis is placed on significant aspects in the data collection process, including the sampling strategy, access to cases, and techniques employed to ensure the reliability and trustworthiness of the data from fieldwork.

3.2.1 Sampling and accessibility

Cases for this research were not predetermined, instead, they were selected by using purposive sampling methods, which provide "information-rich cases for study in depth" (Patton, 1980, p. 169). As Merriam (1988, p. 48) notes, "purposive sampling is based on the assumption that one wants to discover, understand and gain insight, therefore one needs to select a sample from which one can learn more." The case selection in this research was

purposive on the basis of three criteria: 1) the family businesses had already completed their intergenerational succession and were currently, ostensibly at least, under the leadership of a son or daughter of the founder as the second-generation owner-manager; 2) the businesses were demonstrably entrepreneurial, having implemented certain types of innovation to products or operations, and had been successful in sustaining and improving their overall performance since the business succession; and 3) the businesses were reasonably different in order to provide potential contrasts and fuller findings.

On the other hand, as Sandelowski (1995) contends that qualitative research should value the quality of data obtained per sampling unit, rather than the number of sampling units, because it is case-oriented and not variable-oriented (Ragin & Becker, 1989). According to Sandelowski (1995, p. 183), the fundamental principle for achieving an adequate sample size in qualitative research is that the sample size should permit "the deep, case-oriented analysis that is a hallmark of all qualitative inquiry" and result in "a new and richly textured understanding of experience". In line with such thinking, the sample size, or number of cases, in this research should neither be too large, which may interfere with the case orientation, nor too small, which may undermine the adequacy, richness, and depth of information, on which qualitative data are collated and analysed for theoretical and practical insights (Patton, 2002).

Unlike quantitative research, which values the generalisation of samples to a larger population, this research seeks to develop empirical and theoretical insights and a "deep understanding permitted by information-rich cases" (Sandelowski, 1995, p. 180). Therefore, it is not purely a matter about the number of cases involved, but also the number and quality of data sources in each case that is critical as to achieving the informational redundancy (Yin, 2003) or information saturation (Lincoln & Guba, 1985). Until there is no new information or themes emerging from the source, the sampling should continue. In order to achieve informational redundancy, the processes of data collection and collation should be carried out simultaneously with interim analysis. The interim analysis, in turn, will help to determine subsequent data collection decisions (Miles & Huberman, 1994). In this regard, a flexible

research design is likely to yield better results.

As mentioned above, each case involves a family business that was in its second generation, which means the founder parent had to be either deceased or retired and not engaged in the business on a daily or routine basis. The second-generation owner-manager should be the key decision-maker in the business, even though the retired founder may still be consulted at times in the decision-making processes. The basic selection criterion was that the second-generation owner-manager had authority over the business management and operations. As this research looks into both entrepreneurship and the entrepreneur, small to medium-sized family businesses were focused on, where key decisions were normally made by an individual or a very small team of individuals.

Being guided by the above considerations, this research planned for a sample size of eight to ten family businesses as cases, from different places in the Yangtze Delta region in eastern China,[5] where family business and entrepreneurship have developed relatively well in the last three decades. The actual number of cases largely depended on the information obtained as the fieldwork progressed, particularly subject to the interim analysis and the judgement on the information saturation (Ghauri & Grønhaug, 2005; Yin, 1989, 2003). During the fieldwork, information was increasingly repeated as interviews and observations continued from one case to another, until such repetition became dominant in the seventh and eighth businesses, signifying the likelihood that subsequent emergence of new themes would be significantly limited (Creswell, 1994; Yin, 1989, 2003). As a result of this judgement, this research eventually included eight Chinese family businesses for case studies, which were visited and observed in the fieldwork.

The pre-fieldwork attempts to access potential participants relied, to a large extent, on my personal networks in the local areas, including my distant relatives, alumni, and former

[5] In choosing this specific region for the fieldwork, accessibility was an important consideration, while other rationales will be discussed in more detail in the next chapter.

business partners,[6] most of whom acted as local contact persons between potential case businesses and me. This was because of the distance between New Zealand and China, where I was based and the fieldwork was conducted, respectively, which restricted accessibility for potential cases. Also, the local Chinese business norms and practices emphasise the importance of having an agent or referral locally. The major contribution of these contact persons was to informally approach, in their personal capacity, the potentially qualified and interested local family businesses or a third party, such as a government agent overseeing local private economy, who had better access to potential participants. Information provided by the contact persons was assessed by me and did not comprise part of this thesis. These contact persons had no direct involvement in my work relating to data collection, collation, or analysis. Therefore, although they assisted my access, they were not part of this research, and did not undermine the independence of my work or the originality of this research.

Potential cases were selected by me on the basis of the information provided by local contact persons, before I first contacted the candidate businesses directly. An initial visit was paid to the short-listed candidate businesses upon my arrival in the areas, as to 1) verifying the suitability of the potential businesses for this research (Ghauri & Grønhaug, 2005; Yin, 1993); 2) establishing an open relationship with potential informants (Taylor & Bogdan, 1998); and 3) sorting out ethical concerns that the potential informants might have (Creswell, 1994). I then carried out subsequent screenings on the basis of the observations on the initial visits, and some changes were made accordingly to the selection of cases.[7]

3.2.2 Case interviews

According to Patton (2002), the three main sources of data collection in a qualitative case study are interviews, researcher's observations, and document inspections. Using multiple

[6] I lived, studied, and worked in business in eastern China, until early 2004.

[7] By using the selection criteria as stated above, some businesses, based on the initial visit, were less relevant to the purpose of this research, being either not in their second generation or not entrepreneurial. These businesses were taken off the case list, replaced by others which were approached, assessed, and selected.

data collection methods and different sources and types of data on the same phenomenon constitutes triangulation. Conclusions drawn from this combination of methods and sources are usually more robust (Yin, 1993), because such combination paves way for both method triangulation and source triangulation, which compensate for, or neutralise, the weaknesses in any individual data collection method or source by the strengths of another method or source (Jick, 1979). This research employed semi-structured interviews as the primary method of information gathering, supplemented by personal observation and document inspections, so as to comprise the data triangulation.

As is pointed out by Yin (2003), interviews are the main source of data collection in a case study. In order to gain deeper insights into the "familiness" influences on entrepreneurial processes in the second-generation Chinese family businesses, face-to-face, semi-structured, in-depth interviews were conducted. Taking into consideration that the informants engage in retrospective sense-making, it was possible that the information collected from interviews was biased. To solve this problem, Eisenhardt and Graebner (2007) suggest interviewing personnel taking different roles in the organisation to reduce the likelihood that all participants engage in similar retrospective sense-making.

In the light of this argument, within each selected case, multiple participants were involved in the information reporting processes to ensure that 1) adequate information was provided from multiple sources as to achieving information saturation within each individual case (Bouma, 2000; Patton, 1980), and 2) information provided by certain participants could be confirmed or questioned by information from other sources, judging from the consistency or inconsistency between information on the same topic reported by different participants, in order to identify faulty information as well as divergent views (Ghauri & Grønhaug, 2005; Taylor & Bogdan, 1998).

The second-generation owner-managers took a typical gatekeeper's role relating to access to the case businesses and its personnel (Creswell, 1994; Taylor & Bogdan, 1998), and were

therefore the first point of contact, as well as a major informant in each case business. The owner-managers, in turn, either recommended other employees as informants from the business, or accepted my request of having employees from certain positions as the next informants. This was mainly because 1) it was a requirement in this research's ethical approval that the employer's permission be obtained before any research-related activities started in the business; and 2) in the local Chinese business context, employees discussing topics with relation to their business with an outsider without the employer's permission in advance constitutes "disloyalty" to the employer, and is usually deemed improper in the public view.

Besides the owner-managers, other informants engaged with this research included individuals from both management and non-management positions in the businesses, owner-managers' family members or relatives who either directly worked, or had an indirect stake, in the businesses, and business and government associates of the businesses from their external networks. In a general sense, having three to four interviews per case reduced dependence on any one individual, with the same information gathered from multiple sources helping to verify authenticity (Tellis, 1997). A record of the informants will be provided in the next chapter, with an overview of the research settings.

As Keats (2000) and Bryman and Cassell (2006) note, the aim of interviews in a qualitative study is not to lead the participants or alter their viewpoints, but to reveal and understand their thinking. Therefore, the interviews were conducted in a relatively open manner, with the intention that the informants forget it was a research activity (cf., Taylor & Bogdan, 1998). Such openness was useful for allowing the informants to release interesting information (Locke, Spirduso & Silverman, 1987) by enabling them to depart from their initial impression that interviews for research purposes would be rigid and formalised question and answer sessions, and to obtain the comfort and confidence in reporting what they thought was relevant and important.

Interviews do need to be reliable and consistent, with some structure to the questions to keep both the researcher and the informants on track (Creswell, 1994). Therefore, semi-structured interviews were used in this research. By conducting semi-structured interviews, it was more likely that the phenomenon was explored with greater breadth, as I had freedom to ask more questions in the interview when follow-up questions were believed important for understanding the phenomenon (Welman, Kruger & Mitchell, 2005). It was possible for me to communicate interactively rather than merely asking questions to the informants and taking notes of the responses. In this way, a better understanding of the phenomenon under investigation was likely to be achieved.

On reflection, semi-structured interviews provided this research with a format which was more like story telling by the informants, while I took on a relatively passive – and even seemingly naïve – role (Taylor & Bogdan, 1998), asking for clarification where needed and guiding the informants to move on with topics related to the purpose of this research. With open-ended questions pertaining to the purpose of research, the informants could answer in a way that they thought most appropriate (Ghauri & Grønhaug, 2005; Wengraf, 2001), which often gave rise to further release of interesting and valuable information that was not previously provided. Most interviews, especially with the employee participants, were conducted during business hours in a work setting, such as in a vacant office or meeting room within the business, lasting one hour or so. Some interviews, particularly with the owner-managers and their family members, were conducted in their personal time in non-business settings, such as their houses, gardens, a restaurant, a café, or even a golf course, and the length of interview varied from one hour to a whole morning or afternoon, in which case much more information was provided, both relevant and irrelevant.

The interview processes in this research were typically as follows. At the beginning of each interview, the research was briefly introduced, and a Participant Information Sheet was provided for the interviewee's reference. Emphasis was placed on my personal experiences and motivation for this research, as well as on the point that it was an important and effective means for the outside world to understand small to medium-sized family businesses in

China.[8] The informant was then provided with the Participant Consent Form to sign, and explanation was given on that such form was a document protecting the informant's rights and restricting my use of information gathered from the interview.[9] After that, the interview started with general questions about the informant's personal particulars, such as his or her role and responsibilities in the business and career experiences, followed by questions about the business, such as its history, evolution, and current operations. Then, the interview topics concentrated on the informant's perception of the business management and critical incidents in its operations, which led to entrepreneurial and innovative activities. As mentioned above, there was flexibility in the questions and topics. As the interview progressed, requests for further clarification and more details were raised at times, which usually resulted in more story telling from the informant on specific incidences.

3.2.3 Researcher's observations and document inspections

Beside semi-structured interviews as a major method of data collection, this research employed multiple methods, and sought multiple sources for descriptive information. This was in line with informational triangulation (e.g., Eisenhardt & Graebner, 2007; Ghauri & Grønhaug, 2005; Yin, 1993), which ensured the data reliability and trustworthiness on the one hand, and extended the richness and robustness of the information on the other. Unlike quantitative research, in which objectivity is pursued and the researcher primarily acts as an independent party external to the problem under investigation, qualitative studies typically involve the biases, values, and judgement of the researcher, who often becomes a part of the investigated phenomenon (Creswell, 1994). Researcher's personal observations in the research yield such biases, values, and judgement. In the meantime, by inspecting written documents with relation to the research topic, additional information can be captured and used to supplement the information collected through interviews and observations.

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[8] This emphasis was very helpful for increasing the interest and a subtle sense of responsibility of the informants, particularly of the owner-managers.

[9] In practice, such paperwork cast a potential shadow on the interviews by actually arousing the informant's alertness from the outset. I then had to continue with topics of a "casual" nature, such as personal and family experiences, and even current events at both national and international levels, to moderate the informant's nervousness after signing the documents.

Certainly, in organisational studies, access to such documents, particularly the organisation's internal policies, records, statistics, and analyses, is normally difficult.

In this research, I was able to observe the participants' behaviours, and potentially insights into their cognitive processes, through the intensive contact during the fieldwork. Also observed were the physical settings on the business sites and the operational activities within the businesses, both of which yielded important insights. Judgement was made from these observations on 1) the consistency between the informants' interview responses and their actual behaviours and thinking; 2) whether there was something that the informants deliberately avoided or exaggerated; and 3) whether some significant themes were overlooked in the interviews which were manifest in the business. Out of this judgment, I gained increased confidence in refining and adjusting the fieldwork processes, such as having a second interview with certain informants with the questions differently structured, or conducting extra interviews in certain businesses.

Researcher's personal observations were evidently effective for the purpose of this research. For example, during the interview, one owner-manager claimed that his business was not actually a family business, because no one from his family, except himself, was engaged with the business and all management measures were taken within the organisational structure. This claim was later observed as partial, when the owner-manager and one of his relatives discussed an important business transaction in my presence. Such discussion was taken in their dialect, which was extremely hard to understand by outsiders. However, I happened to be one of those who were not born locally but capable of the local dialect, as it was one of the dialects spoken between my father and his siblings, who were born in that area. Judging from the contents of the discussion, the business was evidently managed in a less market-oriented way than the owner-manager claimed.

On the other hand, as mentioned above, internal written documents of the businesses were for the most part unobtainable for this research, which resulted in statistical figures related to the

business performance and revenues being rough.[10] However, external documents, including government publications and local news reports, were obtainable. These documents usually gave general information about the business performance or highlighted outstanding achievements of the businesses, which were useful supplements to the information collected from interviews and observations. A local newspaper, for instance, published an interview with the retired founder of one of the case businesses, as a local success story, which shed some important light on both the "familiness" and entrepreneurship of the business. Although that specific founder was unable to take part in an interview for this research, the newspaper report made it up to some extent.

3.3 Data analysis

According to Merriam (1988, p. 127), data analysis is "the process of making sense out of one's data". A rigorous data analysis is crucial for the success of qualitative research (Miles & Huberman, 1994). However, to analyse the data collected is a challenge for researchers who conduct case studies, because the strategies and techniques in this field have not been well defined and the way in which the data are interpreted largely depends on the researcher's style of thinking (Yin, 2003). As mentioned above, decisions on the achievement of informational saturation and initial analysis need to be made simultaneously with data collection. Therefore, the researcher should not wait until after the fieldwork to collate and analyse the data collected (Taylor & Bogdan, 1998). This section will focus on the main methods and techniques that this research used for data analysis, which in effect started in the field and generated preliminary insights.

3.3.1 An interpretative approach

As Crewell (1994, p. 147) contends, "qualitative research is interpretative research." In line

[10] It is common practices in China that small to medium-sized private enterprises deliberately process their financial statements and operational records, for tax purposes for instance, so that publicly accessible figures are different from their actual performance.

with the purpose of qualitative research, especially when a case study method is employed and a significant volume of descriptive information is collected during the fieldwork, it is important to delve into the original information and look for common themes or build contrasts by interpreting the descriptions. Yin (2003) views the data analysis process as largely a range of creative activities to reduce, categorise, and collate the descriptive information from the field notes and scripts. The process involves subjective understanding of the data, through the researcher's reading, re-reading, thinking, re-thinking, interpreting, and re-interpreting. The excessive descriptive information only becomes valuable when it is interpreted by the researcher in a reflective way and related to the question under investigation.

During the fieldwork, as mentioned above, by interpreting the original information as it was continuously collected, I was able to identify common themes arising from the information, which helped refine the interview questions and the focus of observation. The "familiness" dimensions and sub-dimensions, and the criteria for entrepreneurial processes, as conceptualised and operationalised in the last chapter, were used as a guideline for the information reduction and categorisation. By categorising the descriptive information under these dimensions, sub-dimensions, and criteria, relevance of the information to the constructs was gradually established.

In practice, most information was in fact highly contextual and required me to ponder over the actual settings in which the specific information was provided, in order to make judgment on the relevance and significance of such information. For example, almost all owner-managers emphasised the importance of their "friends" to their businesses. A typical claim was that the "friendship" was effective in increasing their access to market and product information, and even funding opportunities. In essence, "friendship" was an ambiguous and slippery concept, which could not be directly related to any single criterion for either "familiness" or entrepreneurial processes. But given the frequency by which it was mentioned and the emphases that were placed on it, "friendship" was hardly an irrelevant item. Interpretation within the social and cultural contexts was therefore important for

making sense of this information. As a result, judgment was made on the relevance of "friendship" to an array of "familiness" and entrepreneurial processes criteria, such as those on the resources and decision-making dimensions of "familiness", and the source of information and use of resources in entrepreneurial processes.

An important process in the data analysis of this research was the language translation. As this research contains a large quantity of information in the Chinese language, translation of such information into English becomes an inevitable component of the data analysis. This is an important component, because ill-functioning translation will most possibly result in misunderstanding or misinterpretation of the phenomena (Ghauri & Grønhaug, 2005). According to the observation of Sharpiro, Kierman and Courtney (2007) and Xian (2008), data translation in cross-cultural management research has been assumed at times as an objective and technical activity in the analytical work (cf., Marschan-Piekkari & Reis, 2004; Temple, 2006). However, rather than a mechanical job, data translation in qualitative analysis comprises a creative and interpretive process, and can assist the understanding of the data's original meanings (Sinickas, 2005).

In this research, I constantly "wrestled" with the original information during the translation process, and endeavoured to present it in a loyal and straightforward way. In essence, the data translation itself was an important component of the data analysis. Given the differences between languages and expressions, it was inevitable that understanding of the data might be biased by me, who did the translation. But it is arguable that such subjective bias itself contributed to the richness of the descriptive data, and added value to the qualitative data analysis (Sharpiro *et al.*, 2007; Taylor & Bogdan, 1998). To guarantee the accuracy and credibility of the translation, the back translation technique was used (Brislin, 1970; Harkness, 2003), with which I put the translated English texts back to the Chinese language and compared with the original scripts to identify discrepancies, and made refinement to the translation work accordingly. Nonetheless, the other commonly used method of having multiple translators (Douglas & Craig, 2007) was not employed in this research, to prevent an excessive and uncontrollable level of subjective biases and potential

loss of my ownership of this research as a doctoral project.

3.3.2 Numerical measurements assisting comparisons, contrasts, and patterns

To help present the findings in an intuitive manner, and to assist a cross-case comparison so as to making better sense of the descriptive data, numerical measurements were designed in this research for both constructs of "familiness" and entrepreneurial processes. According to Creswell (1994) and Taylor and Bogdan (1998), the design and use of numerical measurements is not just a method to categorise and interpret the qualitative data, but also an effective technique to present the descriptive themes on a systematic and comparable ground. It does not change the descriptive and interpretative nature of the data analysis, but provides a unified instrument, with which similarities and contrasts between case study data can be consistently referred to (Yin, 2003), and potential patterns of behaviours are more likely to be identified across cases (Taylor & Bogdan, 1998).

In this research, the numerical measurements were designed on the basis of the conceptualisation and operationalisation of "familiness" and entrepreneurial processes. By giving a numerical value to each "familiness" sub-dimension between a family orientation and a market orientation, the overall "familiness" of each participating family business was visualised, and the employment of a continuum between the family orientation pole and market orientation pole helped compare the value systems of the businesses. Entrepreneurial processes were assessed against the five criteria, as conceptualised in Chapter 2, which included a consideration of the entrepreneurial outcomes. Similarly, a rating system was created to weigh the nature of entrepreneurship in these second-generation family businesses as being more or less relevant to the existing businesses. Explanations in more details will be given in the following chapters, in which the empirical findings are reported.

With the help of these numerical measurements, comparisons between the "familiness" and

entrepreneurship findings will become possible. Such comparisons, in turn, will indicate both consistencies and inconsistencies between the two sets of findings. Investigations and discussions are therefore conducted to explain the inconsistencies, which will yield significant insights into the cognitive and behavioural patterns of entrepreneurship in the second-generation Chinese family businesses.

3.4 Chapter summary

To summarise, this chapter has focused on the methods that this research uses to answer the research question. The nature of this research was first discussed, which was critical for determining the most effective set of methods and methodology. Guided by Yin's (1989, 2003) criteria, this research was seen as having a "how" question, which focused on contemporary events, with the researcher's limited control over the behaviours under investigation. A qualitative, case study approach was therefore appropriate for the methods used in this research. And going into the field was reasonably the most effective, although time-consuming, way to gather information and create data for this research.

The chapter then provided an overview of the set of fieldwork methods, including semi-structured interviews, researcher's observations, and inspection of written documents. The sampling technique was explained, as both the sample size and sample screening process had a significant impact on the type of data being collected. Methods used in the interviews were highlighted. I attempted to pose as both an insider and an outsider throughout the fieldwork, to help the informants respond in an open manner. Both method triangulation and source triangulation were emphasised to maximise the validity and trustworthiness of the information collected. Analytical processes were reflected and methods were justified, including data reduction, categorisation, translation, and the use of numerical measurements. In general, an interpretative approach was taken in the data analysis, echoing Ghauri and Grønhaug's (2005) argument that it is the researcher's interpretation that gives life to qualitative data.

4. RESEARCH SETTINGS

After the conceptual development and the methodological construction in the last chapters, we now move on to explore the socio-economic settings in which this research, particularly the fieldwork, has been conducted. This is especially important given that China is considerably diversified in its business landscape, which is not always easily accessible for outsiders. The main objective of this chapter is to make further sense of the location selection for this research. It will comprise an overview of the places where the fieldwork was done, to help provide some background knowledge of the socio-economic environment in which the second-generation Chinese family businesses were operating, and to pave way for the empirical and analytical work to be presented in the chapters to follow. The following sections start with an explanation on the selection of the Jiangsu province as an ideal setting for this research, followed by a summary of the geographical and socio-economic settings of Jiangsu, and then an outline of the three prefecture-level divisions of the province, namely Changzhou, Wuxi, and Yancheng, where the eight family businesses engaged with this research were based. Also included in this chapter are the sketches of these family businesses.

4.1 The focus region

One feature of China's socio-economic development is the considerable disparities across regions and provinces, in particular between the coastal and interior regions. Having long been economically, and geographically, advantaged over their central and western counterparts[11], the eastern coastal provinces are where the market-oriented economic reforms initially started, and are perceived as the first beneficiaries of the reforms. Despite the rapid growth of the Chinese economy in the last three decades, the economic reforms have not

[11] According to the NBSC, China's eastern region refers to Beijing, Tianjin, Liaoning, Hebei, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, Guangxi, and Hainan; the central region includes Heilongjiang, Jilin, Shanxi, Inner Mongolia, Henan, Anhui, Jiangxi, Hubei, and Hunan; and the western region comprises Shaanxi, Gansu, Ningxia, Qinghai, Sichuan, Chongqing, Guizhou, Yunnan, Xinjiang, and Tibet. This division is exclusive of Hong Kong, Macau, and Taiwan.

effectively reduced the inequality as the Chinese leadership expected (Chen & Wu, 2005; Wei & Fan, 2000). Rather, the regional disparities tend to be more apparent, with economic activities overwhelmingly concentrating in the eastern provinces (Long & Ng, 2001).

Statistical data show that the eastern region has more business establishments than the central and western regions combined (National Bureau of Statistics of China [NBSC], 2003). The imbalance becomes more significant when data about the private sector are studied. According to NBSC (2003), nearly three quarters of the nation's private enterprises are established in the eastern region. The most private enterprise intensive provinces include Jiangsu and Zhejiang in the Yangtze River Delta, and Guangdong in the Pearl River Delta. The combined number of private enterprises in these provinces accounts for nearly half of the nation's total. According to the Jiangsu Provincial Statistical Bureau (JPSB) (2010), by the end of 2009, Jiangsu had been the largest base for private enterprises for nine successive years, and the number of employees in private enterprises in this single province alone was equal to the total of the entire western region of the country, which includes ten provinces.

These figures are not only spectacular, but also very indicative for this research. On the one hand, the concentration of private enterprises in the eastern region suggests that private entrepreneurship is more active in the coastal provinces than the interior, and this should be a direct reflection of the family business development in China too, because the vast majority of China's private enterprises are family owned and managed (Chen, 2005; Li & Matlay, 2006; NBSC, 2003). On the other hand, even within the eastern coastal region, inter-province disparities are notable. Private enterprises are relatively numerous in Yangtze River Delta and Pearl River Delta, which have long been referred to as centres of Chinese private entrepreneurship, particularly in family business. Such concentration suggests that these regions will be able to provide relatively easy access to entrepreneurial family businesses that are suitable for the purpose of this research.

Being home to, or the origin of, a large number of early-generation overseas Chinese

migrants, coupled with many preferential policies to attract foreign investment throughout the 1980s, the Pearl River Delta quickly accumulated numerous small to medium-sized family businesses, founded by either returning overseas Chinese migrants or their local relatives. These family businesses soon became a major force in the local private business landscape in the early post-reform years, especially from the neighbouring Hong Kong and Southeast Asia (cf., Dana, 1995), where the earlier generations of Chinese migrants settled. Although such influence is important for entrepreneurial activities in these family businesses, it typically increases complexity of "familiness" by adding extra variables, which are external to the environment in which the businesses actually operate.

While the development of the private sector in the Pearl River Delta tends to be top-down and usually government-initiated, entrepreneurial family businesses in the Yangtze River Delta have typically developed through a series of relatively self-initiated and self-reliant experiments, with virtually no influence from overseas and little direct intervention from the state, but tacit approval and protection by local governments (Fei & Luo, 1988). This gradual bottom-up process of private economic development has been referred to as the Jiangsu-Zhejiang model (Wang, 2009). An important characteristic of this model is that the family usually plays a central role in business entrepreneurship, with the government and other institutional parties as facilitators rather than core players (cf., Chen, 2005). In line with this view, and taking into consideration the accessibility of the second-generation family businesses, the province of Jiangsu was deemed to be appropriate as a focus region where the field research, especially the visits and interviews, was possible[12].

4.2 An overview of Jiangsu

Geographically, Jiangsu is one of the smallest provinces in China, with a total area of approximately 102,600 square kilometres, which is around one per cent of the country's size.

[12] Being formerly a business practitioner in Jiangsu for many years, I have relatively easy access to local governments and businesses. Being fluent in almost all major dialects spoken in Jiangsu also helped me to obtain a sense of intimacy with, hence access to, the potential participants.

As Map 4.1 shows, the province is located midway along China's eastern coastline, with the metropolitan Shanghai to its southeast border, and the provinces of Shandong, Anhui, and Zhejiang to its north, west, and south, respectively.

Map 4.1 Location of Jiangsu on the map of China

Terrain of the province is very flat and low-lying, with an average altitude below fifty metres. Nearly seventy per cent of Jiangsu's total area is plains, and water surface takes up fourteen per cent of the province (Shan, Wang & Jin, 1986). The Yangtze River passes through the southern part of Jiangsu and flows into the East China Sea. The Huaihe River, which has been conventionally regarded as the border between northern and southern China, crosses through northern Jiangsu and reaches into the Yellow Sea. The Grand Canal traverses the province from north to south, which links up the Huaihe River in the north and the Yangtze

River in the south, as well as a number of lakes and other smaller east-west rivers, to form an extensive network of waterways and crisscrossed irrigation systems, which in turn have supported the province's agriculture through history (Zhang, 1993). For centuries, Jiangsu has been known as a "*shui xiang*" (land of water) and a "*yu mi zhi xiang*" (land of fish and rice). Both names allude to the rich and fertile land of the province that has supported its lead in agricultural productivity in China for hundreds of years. Through history, the province has been an important producer of rice and wheat, and also many cash crops such as maize, peanut, sesame, and tea (Huang & Leung, 2002; Zhang, 1993).

The advantageous status of Jiangsu's agricultural production sheds light on its industrial development. For example, the facts that northern Jiangsu has been a major cotton producer in China, and that southern Jiangsu has been the base of the nation's silk production (JPSB, 2010; Zhang, 1993), make it easy to understand why textile industry has long been established and became one of the six pillars of Jiangsu's industrialisation, the other five being electronics, telecommunication equipment, petrochemicals, metallurgy, and machinery manufacturing (Huang & Leung, 2002; JPSB, 2010). The combined output value of these six mainstays of Jiangsu's industrial production makes up more than eighty per cent of the gross industrial output by value of the province (JPSB, 2010).

4.2.1 Industrialisation and private entrepreneurship history

Historically, Jiangsu's industrialisation was orientated towards light industry such as textiles, but its heavy industry development has accelerated in the past twenty years, and has already overtaken the light industry sector. This tendency is considered helpful for the province to continue its rapid economic development in a healthy, balanced, and sustainable way (JPSB, 2010). The first heavy industrial attempt in the history of Jiangsu can probably be traced back to the Self-Strengthening Movement, which is also referred to as the Westernisation Movement, in the late nineteenth century. The movement was a three-decade period of institutional reforms initiated by a group of Western-literate Chinese ruling elite who were

concerned about the socio-economic turbulence in China following a series of destructive civil uprisings, such as the 1851-1864 Taiping Rebellion in the lower Yangtze River area, and military defeats and concessions to Western powers, particularly the 1856-1860 Anglo-French expedition to China. A prevalent belief contributing to the initiation of the Self-Strengthening Movement was that the lack of advanced firearms had seriously impeded the Chinese army's performance and battle effectiveness in both civil and foreign wars, and this was to a large extent attributed to the absence of strong heavy industry in the nation's economy. Thus, the Self-Strengthening Movement started in the early 1860s with the construction of military arsenals and shipbuilding dockyards, including the Jinling Arsenal in Nanjing and the Kiangnan Arsenal in Shanghai, both of which were established in 1865 by the Manchu government of the Qing Dynasty, which was the last imperial dynasty in Chinese history.

Although the Self-Strengthening Movement eventually failed, in contrast to the Meiji Restoration in Japan which was carried out through roughly the same decades, in terms of socio-political reform and economic development, its significance for China's, particularly Jiangsu's, early private entrepreneurship and industrialisation was huge. From then on, a number of incipient private enterprises, in addition to joint government and merchant enterprises, emerged in Jiangsu, mainly in the southern part of the province between Nanjing and Shanghai, where the two major government-sponsored military arsenals were based. The emergence of these new types of enterprises was regarded as the sprouting of China's private entrepreneurship. Although the Chinese authorities traditionally discriminated against private merchants, public attitudes in Jiangsu were gradually changing when private enterprises started to accumulate wealth, and more local peasants were employed as industrial workers towards the end of nineteenth century and the beginning of twentieth century, during and after the 1911 Republican Chinese Revolution, led by Dr Sun Yat-Sen and his comrades.

Unfortunately, the prototype of private entrepreneurship, in addition to industrialisation, in Jiangsu was not able to really flourish in the first half of the twentieth century, due to the

frequent disturbances and interruptions by warfare and social unrest, especially during the Japanese occupation of southern Jiangsu from 1937 to 1945, followed by the 1946-1949 Chinese Civil War which resulted in the communist takeover of the Chinese mainland and the Nationalists (Kuomintang, or KMT) retreating to the island of Taiwan. This change in China's political landscape had an impact on the socio-economic arena – a pro-Soviet dominance of public ownership and central planning was established in the country in the 1950s. Private enterprises, and other non-public owned enterprises, were deemed to be a threat to the communist ideological orthodoxy and were therefore either confiscated or transformed into public ownership. The silence of private entrepreneurship in Jiangsu was finally broken as the post-Maoist Chinese leadership initiated a series of market-oriented economic reforms from late 1970s. In the last three decades, private enterprises have grown to become the largest sector in the economy of the Jiangsu province.

4.2.2 Post-reform prosperity of private economy

Although it is one of the smallest provinces in China measured by size, Jiangsu is the most densely populated province, with the population totalling nearly seventy-eight million in 2009 (JPBS, 2010). The province is even more important to the country in terms of the volume of its economy. Jiangsu is one of the most developed provinces in China. For decades, it has had the second largest gross domestic product (GDP) of all provinces, after Guangdong.

Table 4.1 *Economic position of the Jiangsu province in China (2009)*

	Area (million km^2)	**Population (million)**	**GDP (billion CNY)**
China	9.6	1334.70	33535.30
Jiangsu	0.1	77.25	3445.73
Proportion of Jiangsu	1.04%	5.79%	10.27%

Sources: China: Statistical yearbook of China, 2009; Jiangsu: JPBS, 2010 (adapted).

Recent statistical records indicate that Jiangsu's GDP accounted for over ten per cent of the national total in 2009 (see Table 4.1), and its GDP per capita was nearly double the nation's average. In terms of GDP composition, Table 4.2 suggests that the secondary sector, particularly manufacturing, has consistently been the biggest in Jiangsu's economy. Also evident in Table 4.2 are a decline in the province's primary sector and a rise in the tertiary sector in the last two decades, which are in line with the provincial government's socio-economic development strategy towards industrialisation and urbanisation in the same period of time.

Table 4.2 *Composition of Jiangsu's GDP, 1978 - 2009 (percentage)*

Sector of the economy	1978	1982	1986	1990	1994	1998	2002	2006	2009
Primary	27.57	34.64	30.10	25.07	16.86	14.54	10.47	7.14	6.56
Secondary	52.59	47.55	50.52	48.90	53.89	50.56	52.84	56.60	53.89
Tertiary	19.84	17.81	19.38	26.03	29.25	34.90	36.69	36.26	39.55

Note: Percentages in this table are calculated by using GDP figures from the following sources.
Sources: Years prior to 2009: Statistical yearbook of Jiangsu, 2008; Year of 2009: JPBS, 2010.

Jiangsu's post-reform economic prosperity is characterised by the rebirth and rapid growth of its private sector, whose contribution to the province's GDP has consistently increased from very unimportant in the early reform years to nearly thirty per cent in 2002. Since 2007 it has risen to over fifty per cent, and the private sector has become the major and most important contributor to Jiangsu's economy (JPBS, 2010). However, the boom of Jiangsu's private economy was not achieved in one leap.

Chronologically, Jiangsu's private economy has gone through four development stages since the economic reforms started in 1978. The first stage was from late 1978 to 1982, during which tentative attempts in relation to private ownership were made, with tacit approval and

close custody from the provincial and central governments. Following decades of public ownership and central planning, there were questions about the central government's determination to develop non-public sectors, and uncertainties were rife about the legitimacy of private economy, which had long been an ideological taboo. These uncertainties resulted in the initial private entrepreneurial activities in Jiangsu being very limited in scale, usually in the form of *getihu*, which refers to individual or household production, and mainly in rural areas, where the shortage of consumer goods was more serious than in urban areas, and surplus labour could hardly gain access to state-owned enterprises (SOEs), which were concentrated in urban centres. In spite of the increase in the number of *getihu* with backyard workshops and front stores, the private sector remained unimportant to the economy of Jiangsu.

After four years of experimental reforms in the ownership structure, particularly in rural areas, the Chinese leadership started to place extra emphasis on rural economic development. In 1982, the central committee of the Chinese Communist Party (CCP) recognised the contribution of individual production to the rural economic development in one of its communiqués. The next ten years constituted the second development stage of Jiangsu's private economy. A key feature of this stage was the emergence and fast development of the township and village enterprises (TVEs) in southern Jiangsu, in addition to the continued increase of *getihu*, some of which developed into small family businesses as their scale grew. In terms of ownership, TVEs are not private enterprises. Rather, they are collectively owned, and classified under the public ownership category, following SOEs.

However, the TVEs' significance to the development of Jiangsu's private economy cannot be measured merely by its ownership structure. First, this structure mitigated the concerns about volatile policy making by staying under the public ownership category but keeping relatively independent from the central planning system. In this way, TVEs were endowed with both political legitimacy and operational flexibility. Second, they overcame *getihu's* limitations, in terms of both productivity and profitability, by resource concentration and technology innovation, which were usually supported and sponsored by the local

governments which had stakes in the TVEs with regard to government rent and revenue, and perhaps the performance evaluation of officials, too. Third, many TVEs were in fact founded and managed by either individuals linked to local officials or officials themselves, particularly at the village level, who actively sought capital for the growth of the enterprises and lobbied the government for favourable treatment (Oi, 1992). This gave rise to centralisation in the decision-making and dependence of the enterprise on the founder, which in turn led to the large number of TVE buyouts in the 1990s by the founders or their affiliates that transformed the collective-owned TVEs into privately owned family businesses (Meng, Che, Huang & Liu, 2010).

Most of these buyouts, among other privatisation activities, took place in the third development stage of Jiangsu's private economy, which started in 1993 and lasted until 2003. In November 1993, the CCP central committee officially put forward in its annual plenary session the concept of the "socialist market economy", which was first mentioned by Deng, the de facto supreme Chinese leader from late 1978, during his influential tour to the southern province of Guangdong the year before. In line with this concept, the Chinese economy's reliance on public ownership was finally removed. The central government decided to allow buyouts and private shareholding of some public-owned enterprises, including small to medium sized SOEs and most TVEs. Privatisation quickly expanded to urban areas where SOEs were dominant. As mentioned above, many TVEs in Jiangsu were reformed or split into small family businesses, in addition to those privatised SOEs and newly founded private enterprises. In general, these ten years witnessed a fast growth in the private economy in Jiangsu, if measured by the number of emerging private enterprises, particularly family businesses.

In 2003, the CCP central leadership re-stressed its determination to reform ownership structures. In the resolution approved at its annual plenary session, it asserted that governments at all levels had responsibilities to encourage and support the development of the non-public owned economy and shareholding system (Wang, 2009). This policy made it possible for private investors to own more shares in SOEs than they were previously

allowed, as long as the state held the largest block, which did not have to be more than fifty per cent. In Jiangsu, the development of private economy shifted from a quantitative increase to qualitative improvement. In other words, the local government no longer need seek a fast increase in the number of private enterprises, but their improved productivity and profitability. To follow the local government's new guidelines, private enterprises were expected to be more innovative and entrepreneurial, which has implications for this research, as entrepreneurship is not independent from its social context. Also significant for this research is the fact that there are an increasing number of family businesses in Jiangsu which have either completed or started their intra-family generational succession (Chinese Private Economy Research Society, 2011), making the province particularly relevant for this research.

4.3 Changzhou, Wuxi, and Yancheng

Following a brief introduction about the Jiangsu province and its private entrepreneurship development, this section narrows the focus to present a sketch of the socio-economic profiles of the three prefecture-level cities of the Jiangsu province, namely Changzhou, Wuxi, and Yancheng, where the eight participating family businesses were based. Four businesses were located in Changzhou (i.e., Carco, Ignitco, LEDco, and Spinco), two in Wuxi (i.e., Batteryco and Springco), and the remaining two in Yancheng (i.e., Pestco and Fabrico).

Map 4.2 shows the geographical locations of the three cities in the Jiangsu province. By referring to the Yangtze River as a natural intra-province boundary (Huang & Leung, 2001), Changzhou and Wuxi are typical southern Jiangsu cities, and Yancheng is in the heart of northern Jiangsu. The following paragraphs will provide further details about these three locations, by looking at their respective socio-economic development paths, with reference to the private sector in particular.

Map 4.2 Geographical locations of Changzhou, Wuxi, and Yancheng in Jiangsu Province

From a historical perspective, both Changzhou and Wuxi are considered part of the birthplace of China's modern industrialisation. Influenced by the Self-Strengthening Movement in the late nineteenth century and the development of treaty ports in their neighbourhood, including Shanghai (opened in 1842), Nanjing (opened in 1858), Zhenjiang (opened in 1858), and Suzhou (opened in 1895), Changzhou and Wuxi started modern industrialisation approximately one and half centuries ago (Long & Ng, 2001; Shan *et al*., 1986; Zhang, 1993). At least two major consequences of the modern industrialisation history are still relevant to the development of private entrepreneurship to date in Changzhou and Wuxi. First, public attitudes towards private entrepreneurship, despite the public ownership-dominated economic practice and ideological teaching throughout the Maoist era, have been generally positive through history (Christiansen, 1992). Such attitudes, in conjunction with other factors, like the preferential policies by both the central and provincial governments, gave rise to the "natural" emergence of numerous TVEs and non-public owned enterprises in the early reform years, and contributed to the consistently fast growth of the private sector in Changzhou and Wuxi.

Second, certain industries, particularly textile manufacturing and machinery, have developed more rapidly and overwhelmed others. In fact, a large number of TVEs and *getihu* in the 1980s and 1990s were concentrated in these "traditional" and labour intensive industries. With the TVEs' transformation and *getihu's* growth, this industrial concentration extended to many later emerging family businesses, including most of the family businesses in Changzhou and Wuxi that this research engages with. As labour costs surged and the preferential promotion policies expired, these family businesses had to upgrade their technology to gain higher productivity and profitability, and keep seeking new opportunities with regard to new markets, new products, or new services. Hence, many manufacturing family businesses in Changzhou and Wuxi became innovative and entrepreneurial.

Besides the many shared factors, there are a number of differences between Changzhou and Wuxi, which impact on their respective socio-economic development. An important difference that contributes to Wuxi's lead in the "GDP race" is its comparatively faster integration with Shanghai. In fact, rather than geographical proximity to Shanghai, it is the shorter psychological distance between Wuxi and Shanghai that has provided Wuxi with easier access to Shanghai's dynamic economy than Changzhou. Historically, Wuxi was consistently high in both agricultural productivity, thanks to the rich local natural resources and advanced agricultural techniques, and labour-land ratio, which resulted in many local residents having no land to cultivate. Some of them became merchants, and more migrated to larger urban centres to look for job opportunities. After Shanghai was opened as a treaty port around the mid-nineteenth century, Shanghai's urbanisation and industrialisation accelerated, which attracted many extra labourers from Wuxi to work in its modern industrial factories. Also, wealthier merchants from Wuxi ventured into Shanghai for business opportunities. It is difficult to work out the total number of Wuxi migrants in Shanghai, but migrants from Wuxi comprised a considerable proportion in Shanghai's population from the late nineteenth century through the first half of the twentieth century (Zou, Zhang, Chen & Zhang, 2001).

The large-scale migration was important for building cultural similarities between Wuxi and

Shanghai, which in turn contributed to closer socio-economic ties between them. Popularly, Wuxi used to be known as "*xiao Shanghai*" ("little Shanghai"), and this designation has recently been revived as Wuxi's connections with Shanghai are strengthened. To some extent, Wuxi's industrialisation and economic growth have had a "Shanghai orientation". In fact, many Shanghai-based large companies, particularly foreign companies, have established a presence in Wuxi by setting up subsidiaries or going into partnerships with local businesses, such as Springso in this research, whose long-term clients are all giant foreign companies based in Shanghai. In general, its shorter geographical and psychological distances to Shanghai endow Wuxi with both a locational advantage and an emotional advantage (Oliveira & Sarmento, 2003) to achieve greater spill-over effects from Shanghai.

In contrast, Changzhou did not have a similar convergent history with Shanghai, probably because of its relative lack of surplus labour. From its geographical location, regional culture, and general socio-economic development, Changzhou, like its eastern neighbour, is considered part of the emerging Greater Shanghai region (Zou *et al.*, 2001), but its socio-economic connections with Shanghai are less strong. Perhaps, being in the "outskirts" of the Greater Shanghai region undermines Changzhou's exposure to the dynamism of Shanghai's economy, which "radiates" eastwards and declines from Suzhou and Wuxi to Changzhou. There is of course a strong impact of Shanghai on Changzhou's economy, but in comparison with Wuxi, businesses in Changzhou are less Shanghai-oriented, like the Changzhou based family businesses in this research. Further, there is also a cumulative effect in Changzhou's lagging behind Wuxi in their "GDP race" (Jacobs & Hong, 1994). Based on a smaller total volume of economy, Changzhou is hardly able to catch up Wuxi's economy, although its economic growth has been as fast in the past decade.

Nonetheless, both Changzhou and Wuxi have been geographically and historically advantaged over Yancheng in their socio-economic development, especially with regard to the development of private entrepreneurship and family business. As mentioned above, Yancheng is located in northern Jiangsu, which was in history less developed than the cities

on the south bank of Yangtze River (Veeck, 1995), and has taken a different development path with regards to the private economy.

Unlike Changzhou and Wuxi, the transport facilities in and around Yancheng used to be partial and inefficient, which hindered resource and goods mobilisation. Historically, Yancheng was frequently affected by devastating flooding of the Huaihe River, which damaged the local economy from time to time, and resulted in a less solid economic foundation. Although Yancheng's economy heavily depended on agriculture, the productivity was relatively poor, due to the many natural disasters and numerous battles and wars (Shan *et al.*, 1986; Zhang, 1993). Until the early 1980s, Yancheng was still a remote county in northern Jiangsu, whose economy relied on primary industry. The emergence of TVEs in Yancheng was later and smaller in both total number and scale than either Changzhou or Wuxi (Christiansen, 1992; Smyth, 1999). For a long time, especially during the 1990s when southern Jiangsu's rural industrialisation flourished, Yancheng was deemed a source of surplus labour for southern Jiangsu's fast growing labour-intensive factories (Wei & Fan, 2000), many of which were privately owned, or formerly collectively owned and transformed into private ownership.

More recently, especially in the last decade, Yancheng's socio-economic development has benefited from the provincial government's northern Jiangsu development strategy. In line with this strategy, the provincial government has increased capital inputs to improve northern Jiangsu's economic infrastructure, such as the construction of a number of intra-province expressways and railways which are linked with southern Jiangsu's transport network. Preferential policies have been made and implemented to encourage both domestic and foreign investment in northern Jiangsu, where Yancheng is located. Following southern Jiangsu's success, the government has had more confidence to reform the ownership structure in northern Jiangsu, which has given rise to a fast increase of the private sector's importance to the local economy. In Yancheng, although the volume of its private economy is not on a comparable level to that of Changzhou and Wuxi, in 2009 the private sector's contribution to the local GDP, for the first time in history, exceeded fifty per cent, which was

considered as a historic milestone in its economic development (JPSB, 2010).

As a latecomer, Yancheng's private enterprises are rapidly growing in numbers and size, although there is still a concentration in the traditional labour-intensive industries (JPSB, 2010), probably as a result of the relatively large supply of cheaper local labour, which is in contrast to their counterparts in Changzhou and Wuxi, where the industrial upgrading is already underway, and more capital-intensive and technology-intensive businesses are emerging. Also, due to their relatively late start-up, most family owned and managed private enterprises in Yancheng are still in their first generation. Only a very few pioneers, like Fabrico and Pestco in this research, have completed their intergenerational succession. In short, despite the differences in historical development, the private economy in Changzhou, Wuxi, and Yancheng is active and prosperous, which comprised a rationale for entrepreneurship in family businesses to be studied in these places.

4.4 The eight family businesses

This section gives a brief summary of the eight second-generation family businesses engaged with this research, in preparation for the presentation and analyses of their "familiness" and entrepreneurship in the chapters to follow.

As Table 4.3 shows, although their products were diverse, the eight family businesses were all engaged in manufacturing. Half were machinery manufacturers (i.e., Batteryco, Carco, Ignitco, and Springco), two were textile manufacturers (i.e., Fabrico and Spinco), one was a chemical manufacturer (i.e., Pestco), and one was a high-tech manufacturer (i.e., LEDco). In addition to manufacturing, Batteryco and Pestco also engaged in other business, as a response to emerging opportunities. A special case is LEDco, which did not start as a manufacturer, but as a real estate firm. It added high-tech R&D and manufacturing to its business later on, which had now overtaken real estate as its main business. With regard to size, most are typically small, while Pestco was a "standard" medium-sized enterprise, with

LEDco and Spinco in between, if measured by the number of employees, amount of assets, and annual sales.

Table 4.3 *The eight family businesses*

Business	From	Industry	Employees	Assets[1]	Annual sales[1]	Size[2]
Batteryco	1994	Machinery manufacturing, retailing	120	20m	120m	Small
Carco	1990	Machinery manufacturing	70	10m	30m	Small
Fabrico	1990	Textile manufacturing	110	20m	90m	Small
Ignitco	1983	Machinery manufacturing	90	5m	25m	Small
LEDco	2002	High-tech R&D and manufacturing, real estate	250	30m	100m	Small-medium
Pestco	1992	Chemical manufacturing, financing	1,000	60m	200m	Medium
Spinco	1992	Textile manufacturing	180	60m	200m	Small-medium
Springco	1995	Machinery manufacturing	160	15m	80m	Small

Notes: 1. Currency: CNY

2. The NBSC measures the size of an industrial enterprise by three indicators. A typical medium-sized industrial enterprise has 300-2,000 employees, CNY40-400 million assets, and CNY30-300 million annual sales. Below these lower limits are "small" businesses, and beyond the upper limits are "large" businesses.

Table 4.4 provides a summary of the successor owner-managers' (SOMs) personal profiles, which shows that most SOMs were male, except the two at Batteryco and Fabrico, neither of whom had a brother in the family. All were born in the 1970s, and most were in their late twenties or early thirties at succession. Except for Carco's SOM, who had worked for several years elsewhere and directly succeeded the founder's business without working in it, all the others had work experience in their respective businesses before succession. The pre-succession time they spent in the business varied, ranging from more than a decade at Fabrico and Ignitco to just one year at Springco. However, Springco's SOM might not have succeeded the business that quickly if the founder's health condition did not suddenly deteriorate. Besides working before succession in the businesses that they later succeeded, the SOMs of Ignitco, LEDco, and Springco also had prior work experience elsewhere. The

relevance of such pre-succession work experience to their management, and particularly entrepreneurial, capacities will be examined in more depth in Chapter 7. In terms of education, three of them were educated at postgraduate level in the West, another three had vocational qualifications, and two were senior high school graduates. Further, except for the SOMs of LEDco and Spinco, both of whom were born after the CCP's introduction of "one-child policy", most SOMs had siblings, and most of the siblings did not work in these family businesses, with exceptions at Carco and Springco. Finally, of the eight founders, five retired primarily for more flexibility and leisure in life, while Springco's founder was forced into retirement by a suddenly deterioration in his health, as mentioned above. Strictly speaking, the founders of LEDco and Spinco were not in retirement – they left the businesses to their respective sons and went on to pursue other business opportunities. As a matter of fact, most "retired" founders still retained influence to some extent in the businesses, which will be looked at more closely in the next chapters.

Table 4.4 *Personal profiles of the eight SOMs*

SOM of	Sex	Year of birth	Education	Pre-succession years in the business	Pre-succession years elsewhere	Age at succession	Siblings	Founder retired for
Batteryco	F	1977	Vocational college	3	Nil	24	1 younger sister	Lifestyle
Carco	M	1972	Vocational college	Nil	7	28	1 elder brother	Lifestyle
Fabrico	F	1972	Senior high school	14	Nil	32	2 elder sisters	Lifestyle
Ignitco	M	1971	Senior high school	17	1	36	1 younger brother	Lifestyle
LEDco	M	1978	Master in HRM (UK)	2	3	30	Nil	Other business
Pestco	M	1972	Vocational college	6	Nil	27	2 elder siblings	Lifestyle
Spinco	M	1979	MBA (UK)	2	Nil	28	Nil	Other business
Springco	M	1977	MBA (N. America)	1	4	31	1 younger brother	Health

Table 4.5 briefly depicts the composition of the informants for this research, and their relationship to each family business. These informants included both people who were interviewed and those who were communicated with in a more informal and casual manner but provided important information. Although they were the key participants in this

research, the eight SOMs were not the only informants. Others included founders, SOM's family members or relatives who worked in the business, other deputy and line managers who were not relatives of the SOM, either the SOM's or the founder's contacts in local government, SOM's external business associates, and ordinary frontline employees. As explained in the last chapter, in order to minimise the subjective bias in the collection information, informants of diverse capacities and backgrounds were sought for this research, from both inside and outside of the SOMs' families, and both internal and external to the eight businesses.

Table 4.5 *Key informants for the eight family businesses*

Business	Informant 1	Informant 2	Informant 3	Informant 4
Batteryco	SOM	Founder	Line manager (SOM's husband)	A frontline employee
Carco	SOM	Founder	Deputy manager (SOM's brother)	Nil
Fabrico	SOM	Founder	Deputy manager	A frontline employee
Ignitco	SOM	Line manager (SOM's brother-in-law)	SOM's business associate	SOM's contact in local government
LEDco	SOM	Line manager	Founder's contact in local government	Nil
Pestco	SOM	Deputy manager (SOM's uncle)	Accounting manager	Nil
Spinco	SOM	Deputy manager	Line manager	Nil
Springco	SOM	Founder	Marketing manager (SOM's brother)	External relations manager (SOM's mother)

4.5 Chapter summary

This chapter has focused on the settings in which this research has been conducted. Being a living laboratory for entrepreneurship and family business research, China is however diverse in its business landscapes, across its regions. For the purpose of this research, China's eastern coastal province of Jiangsu has been selected as a focus region, not only because of

the accessibility to businesses and qualitative information, but also in that Jiangsu takes lead in China's economic growth and has been particularly recognised as a role model in the development of private entrepreneurship.

Being an early starter in China's modern industrialisation, Jiangsu has a long public awareness of entrepreneurship as a positive cause, in addition to a relatively well developed infrastructure which encourages private entrepreneurship. Even during the centrally planned years, when private entrepreneurship was considered a deadly threat to the communist ideology and hence a political taboo in the entire mainland China, an entrepreneurial force was quietly accumulating in this eastern province. Through a series of political movements in the Maoist decades, especially the notorious 1966-1976 Cultural Revolution, numerous youths and intellectuals from urban areas were sent to rural areas throughout the province (Du & Gu, 1987), as the "Great Leader" and his comrades wanted them to learn from, and be "re-educated" by, the peasants who had more "revolutionary consciousness and initiative". Ironically, instead of being forged into loyal successors of Mao's "revolutionary cause", many of these intellectuals became primary players in the post-Maoist economic reforms by contributing their technical and management know-how to Jiangsu's rural industrialisation (Wei & Fan, 2000), particularly the TVEs, and greatly accelerated and signified Jiangsu's economic growth in the private sector. Given the prosperity of family businesses and entrepreneurship, the high level of public recognition, and the supportive government policies, in addition to the relatively high level of openness in the businesses' attitudes towards outside researchers, Jiangsu provides an ideal environment for research of this nature.

Entrepreneurship does not happen in vacuum. Similarly, "familiness" reflects the environment external to the business itself. To better understand the relationship between "familiness" and entrepreneurship, attention needs to be paid to the settings in which the family businesses take their entrepreneurial activities. This chapter has provided a depiction of the environment in which this research has been conducted. An overview of Jiangsu's development of private entrepreneurship, in addition to the general socio-economic

development, has been given, drawing on multiple perspectives, such as geographical, demographical, historical, and socio-political. The latter part of this chapter has focused on the three prefecture-level cities, namely Changzhou, Wuxi, and Yancheng, where the eight family businesses were based. A brief summary of these family businesses has also been provided, paving way for the examinations on their "familiness" and entrepreneurial processes, which will be done in the following chapters.

5. FAMILY ORIENTATION, MARKET ORIENTATION

This chapter is committed to examining the "familiness" of the eight family businesses, on the three dimensions of business objectives, resources, and decision-making, as conceptualised in Chapter 2. To facilitate the presentation of the findings, a scoring system is created, rating each of the fifteen sub-dimensions. The total scores that the businesses receive will reveal the extent to which they were inclined to a family orientation, or otherwise a market orientation, in their strategies and management. These findings will tell us how similar or different these second-generation Chinese family businesses were in terms of their "familiness", which can be referred to in the following chapters when entrepreneurial processes are investigated, to uncover the effects of "familiness" on entrepreneurship in family businesses.

In general, the literature on Chinese private enterprises (e.g., Chen, 2005; Pistrui, Huang, Oksoy, Jing & Welsch, 2001) asserts that the Chinese family businesses are typically organised and managed in a way in which the owner-manager's personal or family interests are maximised, in line with the institutional environment in China (Kshetri, 2007), and especially Chinese cultural values (Kirby & Fan, 1995). On the other hand, recent empirical studies (e.g., Chen, Li & Matlay, 2006) indicate that the family influences on business management in Chinese family businesses are decreasing with the emergence of a new social cluster, which they refer to as "private entrepreneurs". Here, the subtext is that Chinese family businesses will need to contain their "familiness" in order to be entrepreneurial.

If this assumption is true, then the eight Chinese family businesses in this research should have all scored low on their "familiness" and should have been relatively market-oriented. The following sections, however, will present a picture in which entrepreneurial Chinese family businesses were scattered between the family orientation and market orientation poles. An important message that this chapter conveys is that both family-oriented and

market-oriented family businesses can become entrepreneurial players, which, coupled with the entrepreneurship findings in the next chapter, yields interesting insights on the relationship between "familiness" and entrepreneurship.

5.1 Business objectives

Business objectives are the first dimension in the "familiness" framework (cf., Figure 2.3). According to Chua, Chrisman and Chang (2004) and Aldrich and Cliff (2003), what the business primarily pursues is an important indication of its strategy and management, and comprises an indispensable criterion to define a family business. In other words, this dimension addresses the question on why the business exists as a family business (Chrisman, Chua & Steier, 2003).[13] Investigations on the five sub-dimensions, as follows, show that none of the eight Chinese family businesses was significantly inclined to the market orientation with regard to their business objectives. Rather, importance was attached to the owner-manager's family interest in the business, which implies that the owner-manager's families had relatively high stakes in these businesses, in both economic and non-economic terms.

5.1.1 Family wealth

A popular image about family businesses is that the owner-manager's family has critical economic interests to pursue through the business and the business is a major source of income for the owner-manager's family (Chua *et al.*, 2004).[14] All the eight successor owner-managers (SOMs) in this research agreed that their respective parent founders started and then managed the businesses primarily in pursuit of wealth to advance their individual or

[13] Leenders and Waarts (2003) interpret this question as whether the family business is a family-first or a business-first organisation.

[14] During the fieldwork, at least two of the interviewees, who were external stakeholders of the family businesses, used the metaphor "money tree" to describe their impression of the family businesses, which mirrored the popular image among the public.

the family's living standard. This perception was endorsed by all the four retired founders at Batteryco, Carco, Fabrico, and Springco, who took part in this research. In contrast with their parent founders, seven of the eight SOMs rejected the pursuit for family wealth as a main objective for their businesses. Here, the common theme was that family wealth was certainly an important objective for the family business, but not necessarily the most important one.

Family wealth was emphasised as a most important business objective only at Springco, of which the SOM described the business as the sole source of income for his entire family, including his parents and brother. According to the SOM, "the whole family is dependent on the business for living", which was later on articulated by his younger brother, who worked in the business as marketing manager: "To be honest, I think the nature of our business is to make money for our family – of course, I refer to 'clean' money. You might see it as one of our objectives, but I can affirm you with certainty that it is the most important one." The brothers' points were also supported by their father, who had retired some years earlier after a sudden deterioration of his health. During an interview at a golf course, where he did his routine restorative exercises, the retired founder confirmed that pursuit of family wealth was the essential objective for which he started the business, and he was pleased because his sons still held it as the prime objective. To demonstrate this, he pointed to the golf course and joked that he had to count on the business and his sons to pay for this daily exercise.

On the other hand, the other seven businesses perceived the pursuit of family wealth as a necessary, but not the prime, objective. Its necessity to them, however, differed. While it was described as an important and secondary objective at Batteryco, Carco, LEDco, and Spinco, it was rated as "generally important" at both Fabrico and Ignitco, and "occasionally important" at Pestco.

The SOM of Ignitco explained the "general importance" of the pursuit for family wealth by

his succession story. According to him, after the business was founded by his father in the early 1980s, it developed well until the end of 1990s, when it started to shrink. He attributed the downturn of the business to his father's management style, which was "feudal, stubborn, and outdated". He then had numerous conflicts with his father over the business, which led to his growing intention to replace his father and change the business. However, the SOM was not eventually chosen by his father; rather, his younger brother, who had been consistently on the founder's side, was designated as the prospective successor. The family then experienced a series of disputes for several years over the business development and succession arrangements. The final decision was that the founder gave each son half of the business, with different products. Although the SOM felt that he was unfairly treated, because all he received was "antique equipment and less profitable products", in addition to substantial debts, he was still pleased because he was eventually able to do business on his own, free of family disputes. "Following all those family conflicts for many years, I do not really mind how much money the business can make for my family. In fact, what I am pursuing is respect – you know, my family conflicts had made us notorious, and this is a shame in all aspects", he reflected somewhat sentimentally.

At Fabrico, explanation of the "general importance" of the pursuit for family wealth was less emotional. Both the SOM and the retired founder simply stated that the family did not need too much money to maintain their living standard. "I am not a billionaire, and I do not want to be a billionaire. The only thing I want to do is to take good care of this business, because it is my father's effort", said the SOM.

Of all the eight family businesses, Pestco had the largest scale and seemed to have the least emphasis on family wealth as a business objective. Although both the SOM and his uncle, who was his main aide in the business, admitted that the business was a key source of income to support the whole family, neither of them viewed the pursuit for family wealth as a "really meaningful" business objective. The SOM explained: "Comparing with other things, like social recognition and respect, family wealth is not a challenging pursuit at all." This view was reflected by the accounting manager, who was a non-family employee and had worked

in the business for more than ten years, and a friend of the SOM, who knew the business well but did not work in it. Interestingly, they both used the word "by-product" to describe the relation of the SOM's family wealth to the business, rather than "objective" or "motive". The accounting manager believed that his boss was an ambitious and capable person, and had a far broader view of the business than the family itself. This "far broader view" was later on interpreted by the SOM himself as the contributions that he could make to the community and society through the business, and the sense of achievement that he, and his business, could receive from such contributions.

In a general sense, although family wealth was a significant business objective for start-up and the first generation, its importance decreased as the SOMs took over and the businesses developed into their second generation. Not surprisingly, as second-generation family business leaders, the SOMs were not under immediate pressure to improve their families' economic conditions and living standards, as their parent founders were during the start of the businesses (cf., Whittaker *et al.*, 2009; see also Lee, 2006). Family wealth as a business objective gave way to other objectives, which were typically non-monetary.

5.1.2 Family values

Although the term "family values" is vague and has shifting meanings, it was the most frequently mentioned when the prime business objective was asked about in the second-generation family businesses. In fact, the importance attached to the pursuit of family values differed across the eight businesses, and there were variations in interpretations of such values.

At LEDco, for example, the SOM emphasised that the core of his family values should be the essence of his business. He said that his family values included a number of beliefs, such as unity, integrity, diligence, and aggressiveness, of which the most important and the one he described as the core was a can-do attitude. When the question was raised as to whether

these “family values” were in effect a rationale or an objective of the business, he insisted these be the major objective. “These are exactly what I, and my business, pursue and practise. I cannot think of anything else that I have more enthusiasm to achieve through my business”, he declared. A local government official, who was familiar with LEDco and had a close relationship with both the founder and the SOM, explained his understanding on the SOM’s insistence. According to him, both the founder and the SOM had tremendous aspiration, and this had almost become a brand of their family. He reasoned that the growth of LEDco mirrored the SOM’s desire to reinforce the family’s core values, such as their “never-rest” spirit. Indeed, whether this would be interpreted by other outsiders as a “family” rather than “business” value may be debated.

Similarly, Batteryco, Carco, Fabrico, and Springco also saw the pursuit of family values as a major objective. A common point was that the businesses were effective in uniting the families and maintaining a constructive relationship between the family members, no matter whether they actively engaged in the business. The SOM of Carco described it as the “non-monetary family wealth”, which was more meaningful and enduring than monetary family wealth: “It is much more difficult to acquire but once acquired it cannot be easily lost,” he remarked. The SOM of Springco believed that the relation between his business and his family values was reciprocal and mutually reinforcing, rather than unidirectional. “It is the business that unites my family tight, and it is my family unity that boosts the business,” he said. On the other hand, family values were attributed to family lifestyles and livelihoods at both Batteryco and Fabrico. The two SOMs shared the view that it was their business that maintained and extended the way in which their respective families lived and interacted.

The SOM of Ignitco, who survived a “succession war” and therefore had a profound awareness of how valuable family harmony was, thought that family values should be pursued, or maintained, in all family businesses “by default”.

This view was shared and emphasised at Pestco and Spinco. Moreover, the SOM of Pestco commented that it was usually difficult to distinguish family values and the SOM's personal aspiration. His argument was implicitly echoed by the SOM of Spinco, who said: "In my business, it is hard to tell what the concrete family values are, but it is certain that the business is a tool with which my own vision is pursued, for example, being a business leader as well as the family leader." After all, both SOMs of Pestco and Spinco acknowledged that the personal "aspiration" and "vision" they referred to were in line with, and included in, their respective family values.

5.1.3 Family employment

Family businesses are usually an important provider of employment to family members. Although evidence indicates that family employment is not necessarily a central objective, it is at least a peripheral one in most established family businesses.

Again, Springco was the only one of the eight family businesses that referred to family employment as a major objective of the business. The retired founder was very frank when he rated family employment as the second most important motive for him to start the business in the mid-1990s, following pursuit for family wealth. He explained that it was an important consideration when he started the business that his younger son had completed high school and could neither continue his education nor find a job in the labour market. "He might have taken a 'crooked road' if not working in the business," said the retired founder, in the tone of a concerned parent. The SOM agreed with his father on this point, and added that it was vital to keep the business under the family's control, so that employment stability could be ensured for every family member, in addition to income stability. All of the SOM's immediate family members worked in the business, and took all key positions. The founder retired some years ago, but remained a "senior advisor", and he really gave advice to the SOM at times which was "influential" according to the SOM and his key employees. Even the SOM's grandfather, who was in his eighties, worked in the

business on a day-to-day basis, responsible for the operation and management of the staff canteen.

At the other seven businesses, family employment was not thought of as a major objective of the business. The SOM of LEDco even completely rejected it as a business objective. Being the only child of his parents, he did not recognise his cousins as "family members". He emphasised the "equality" of employment, and would consider competency rather than kinship at recruitment. No one from his family, be it nuclear or extended, was employed in his business, although his father, who founded the business and went on to pursue other business opportunities, still influenced the business in some ways.

This was very similar to Spinco, where no members from the SOM's family were employed. But the SOM did not completely reject family employment as a business objective. Rather, he saw family employment as a responsibility of the business. He held that as a family business SOM, it was his obligation to help his family members should they approach him for employment. He added that his family members should not take key positions if they were not competent. "It is fine for me to pay them for contributing nothing to my business," he continued, "but if they make trouble, they will not be treated differently from other employees." Apparently, he was referring to his extended family when he mentioned "family members", given that he was the only child of his parents, and that his father still influenced the business, mainly through some key employees who were the founder's loyal and trusted agents. Like his counterpart at LEDco, the founder of Spinco also passed the business to his son and then started pursuing new business opportunities.

Interestingly, the view of family employment as a responsibility was shared by the majority of the SOMs, namely those at Batteryco, Carco, Fabrico, Ignitco, and Pestco, in addition to Spinco's SOM. Family members and/or relatives of the respective SOMs were employed at these businesses. But the fact that not all of them took important positions implied that employing family members in the businesses was not without conditions, and the businesses

had their criteria and principles in this regard.

5.1.4 Family reputation and social status

Family reputation and social status was highlighted in three family businesses as one of the objectives that they pursued. The SOM of Ignitco, in particular, named it as a major objective for his business. He explained that following family conflicts over the business operation and the succession arrangements, his family had become "notorious" in both the neighbourhood and the local business community, which resulted in the loss of his family's "face" in addition to having a negative impact on his business. He therefore wanted to earn back respect and repair his family's damaged reputation through the business, "be it profitable or not". He did not mean that profitability was irrelevant. His friend later articulated that in Ignitco's business, substantial attention was paid to the reputation and social status of the SOM's family, alongside other objectives, which certainly included profitability. Here, it is worth clarifying that the "family" the SOM referred to was exclusively his "own" family, which did not include his younger brother's side and probably his father too, according to his friend who witnessed the entire family conflicts over the last few years, which is an assessment reinforced by the tone that the SOM used and the contents he conveyed in the interviews.

Carco and Fabrico also labelled family reputation and social status as an important objective of their businesses. To illustrate his view, the SOM of Carco recalled his succession. He did not initially work in the business which was founded by his father. Rather, he worked in a joint venture as a technician and then assistant general manager. The rationale for him to resign from the joint venture and to "take over" – he insisted that it was a takeover instead of a succession – his father's business was that the business started to shrink rapidly in the care of his father and brother, and was almost closed or sold. He considered it a shame on his entire family, because when his father started the business it was the first privately-owned business in the town, and it used to be very prosperous. He then approached his father and

brother, proposing that he would like to take over the business, and they were both very glad, with no disagreement at all. The SOM described his father and brother as "conventional peasants" who lacked real business talent and did not understand how to manage a business. Surprisingly, both "conventional peasants" agreed with this assessment. The retired founder attributed his initial success to luck and a lack of competitors when he started the business – seemingly a "first-mover advantage". The SOM opined that although family reputation and social status were not his prime consideration, they were quite high on his list of business objectives.

By comparison, Fabrico's story lacked such ups and downs. The SOM treated the business as a family legacy, which was founded and passed on by her father, and she was responsible to "do justice to it" and to reinforce the established reputation and social status of her family through the business.

Rather than naming it as an objective, the SOMs of LEDco, Pestco, and Spinco argued that family reputation and social status reflected their contributions to the society, so they focused more on their business social responsibilities than the reputation and social status of their own families as an objective that their businesses pursued. None of them denied family reputation and social status as a business objective, but it was a secondary or "indirect" one. Batteryco and Springco did not reject family reputation and social status, either, but their passion about it tended to be very low. "Probably it is – we certainly do not appreciate a bad name," said the SOM of Batteryco. At Springco, the retired founder had a similarly ambiguous attitude: "Our family reputation and social status are related to the business, but we also have something more relevant to pursue, like our 'pockets and mouths'" – a typical Chinese metaphor for "income and employment". The SOM of Springco, however, responded in a relatively direct way. Having an MBA from a famous North American university, he referred to Maslow's hierarchy of needs and argued that family reputation and social status were higher level objectives, but something else should be prioritised before these, like family income and employment, which were more basic.

5.1.5 Continuation and succession

Generational transfer of business ownership and management within the owner-manager's family is proposed by family business researchers, such as Handler (1989) and Ward (1987), as a necessary condition for the family business definition. Investigating the extent to which intra-family continuation and succession is a business objective helps determine the "familiness" of each family business. Although all the eight family businesses were in their second generation, their views varied on business continuation and succession within the family as a business objective.

At Fabrico, Pestco, and Springco, it was affirmed that family control of the business and continuation of such control was a very important objective for their respective businesses. The SOM of Springco aligned this objective with others, and described his business as a "business of the family", which, according to him, must consider family control and intra-family succession of both business ownership and management as a key objective. Again, this point of view was endorsed by his retired father and other family members who worked in the business. The SOM of Pestco, on the other hand, took a philosophical approach. He believed that keeping the business under family control conformed with the nature of the human race, because "human beings are selfish" and could only commit to something when it was their own. The SOM of Fabrico took on a traditional Chinese mother's tone when she said, "As a parent, I am actually working for my son. Sooner or later the business will be passed on to him, like my father did to me." Fabrico's senior deputy manager, who was a friend of the retired founder and had worked in the business since its start, echoed the SOM's view. He thought it was natural and reasonable for the business to continue being owned and managed by the SOM's family, because it was founded by her father and "it *is* theirs".

Attitudes appeared to be different at Carco and LEDco, where ownership succession was thought of separately from management continuation. Both SOMs argued that the businesses were no more than platforms for them, on which they could perform their talents.

Thus it should be the business spirit or "DNA", rather than the business itself, to continue from generation to generation in their respective families. The SOM of Spinco made a similar argument, but he stressed that the business itself was also important, viewing it as part of his family history, so it should not be given up easily. He revealed that his objective was to continue family ownership, rather than family management. As long as the family remained the biggest shareholder, the business could be managed by professional managers, and his family history in relation to this business would be forever extended. Clearly, the SOMs interpreted family control differently. While most of them considered that both ownership and management were equally important, those at Carco, LEDco, and Spinco emphasised family ownership rather than family management. This might imply that these businesses were more market-oriented on this sub-dimension.

Intra-family continuation and succession of the business was rejected as a business objective at Ignitco. The SOM explained that it might have been one of his father's objectives, but he did not give any consideration to it, because doing business was not an easy career and he did not want his son to take it over. "I have never thought of passing the business on to my son. There are many better choices for him. But of course, if he does have business genes, he can take it over or start his own business," said the SOM. Then he added that he planned to sell the business when it developed to a certain level.

The SOM of Batteryco did not plan to terminate or sell her business, nor did she put intra-family business continuation on her list of objectives. She even did not acknowledge her business as a family business, although it was founded by her father, and now she was the second-generation SOM. She explained that her father had not thought of passing the business on to her, although she was very keen to do business. Her father's reason was simply that she was not a son but a daughter. This hurt her, and she was determined to prove to her father that she, as a daughter, could also be successful in business. Several years ago, when her father's business had serious problems, she initiated the succession of the business, and started manufacturing a different product from her father's, with her husband's assistance. Given this background, she claimed that she did not place her family

interests ahead of the business, and as a result, whether the business should continue within her family or not was irrelevant and unimportant. It appeared that "family business" was a rather sensitive label for her.

Table 5.1 Reflections on the business objectives dimension of "familiness"

Sub-dimensions / Businesses	Family wealth	Family values	Family employment	Reputation and social status	Continuation and succession
Batteryco	Of relatively high priority	Useful to unite the family and maintain fairness	Important commitment to the family	A "by-product" of business integrity and success	Never considered as an objective
Carco	Family living reliant on the business	For family unity, relationships	Moderately important, brother employed	Keen to increase respect and recognition	Seldom considered, not a must
Fabrico	Of more importance to parents	To maintain family unity and belief in honesty	Considered, although not preferred	Important for the business	One of the most important things pursued
Ignitco	Important source of income for the family	Quite important in maintaining family harmony	Important for relatives, esp. in-laws	Most important thing to pursue	Never considered, preference for selling the business
LEDco	Necessary, not the most important	Of supreme importance	Of little consideration	Important, but not a leading objective	Seldom considered, would not pursue
Pestco	Not very important, but necessary	SOM's personal values pursued	Reasonably important, relative employed	Occasionally considered	Very important to have successors within family
Spinco	Important for family living	Not a very important objective	Not important, no family members employed	Averagely important, not prioritised	Important for family power over time
Springco	The only source of income for the family	To maintain family unity and harmony	Extremely important, whole family employed	Not a major consideration	Very important to ensure family control over time

Table 5.1 summarises the "familiness" findings on the business objectives dimension. A general observation is that, family has a considerable presence in the business objectives of these second-generation family businesses. Although they emphasised different sub-dimensions, the SOMs, and other insider and outsider respondents, all generally acknowledged the family interest as a leading consideration in the business management, which as a result typically restrained the market orientation and encouraged the family

orientation in their business objectives, albeit to different extents. In other words, overall differences on this dimension were not significant, and inclination to a family orientation was apparent in the objectives of these second-generation family businesses.

5.2 Resources

Resources are undoubtedly crucial for any business, and comprise the grounds on which the notion of "familiness" was initially conceptualised (cf., Habbershon & Williams, 1999) and tested (cf., Tokarczyk, Hansen, Green & Down, 2007). As argued previously, this research rejects resources as the only component of "familiness", but endeavours to construct a multi-dimensional and operational notion of "familiness", of which resources are an indispensable dimension. According to the family business literature (e.g., Arregle, Hitt, Sirmon & Very, 2007; Habbershon, Williams & MacMillian, 2003; Pearson, Carr & Shaw, 2008), for a small to medium-sized family businesses, critical resources are often provided by, or acquired through, the owner-manager's family. Therefore, to look into the "family side" of these resources is helpful in investigating "familiness" of the business. Drawing on Habbershon and Williams's (1999) work, five sub-dimensions of resources are investigated as follows.

5.2.1 Finance

The owner-manager's family is often the initial and stable provider of financial support for a family business (Habbershon *et al.*, 2003), although it may not remain the prime source over time, particularly when the business grows and financial needs increase (Tokarczyk *et al.*, 2007). Five of the eight second-generation family businesses in this research had other financial sources than the SOM's family, and the family was not always the major provider of financial resources. Most SOMs, however, admitted that they would turn to their respective families, including the retired founders, for financial help in the first instance if it was needed.

Batteryco, Carco, and Spinco had full financial support from the SOMs' families. The three SOMs inherited important fixed assets from their respective parent founders, including workshops, warehouses, and the land on which these facilities were built. Differences, however, existed in their current assets rather than the fixed assets. The retired founders of Batteryco and Carco no longer invested in the businesses, and both businesses were financially supported by the respective SOMs, rather than their extended families. The retired founder of Carco admitted that since the SOM took over the business he had not invested a single cent in the business, and all financial investment was from the SOM's own pocket. The SOM of Carco assumed that if future financial needs exceeded the "depth" of his own pocket, he would rather consider commercial loans than his parents or relatives, because he did not want them to bear the business risks, given that "they are not competent business people".

Similarly, the SOM of Batteryco did not regard her father as a "good" businessman. However, she expressed her gratitude to him for his emotional support, particularly for the goodwill in his offers of financial support, even though she had not accepted them. The retired founder later on confirmed that he was always ready to provide financial support to his daughter's business, if requested. Unlike Batteryco and Carco, Spinco's finances were actively supported by the SOM's family, particularly his father, who founded the business, passed it to him, and went on with other business opportunities. The SOM of Spinco viewed his father as the most reliable provider of finance. He would not refuse other financial sources, such as commercial loans, but these were not preferred by him. "First, there is no such need at the moment; second, for small to medium-sized private companies like mine, commercial loans are not easy to obtain," he explained.

It might be true that commercial loans were difficult to obtain, but the fact that four of the eight family businesses had commercial loans suggests that they were accessible and widely recognised as an important source of finance. LEDco and Pestco even had commercial loans as their main source of finance, coupled with smaller amounts of family funds.

Ignitco, on the other hand, was financially supported mainly by the SOM himself, and some relatives from his wife's side. Commercial loans were a comparatively minor source of finance for Ignitco, obtained with help of the SOM's "government-related" friend, on the basis of sound repayment capacity and good credit records of the business, according to the SOM and his friend. Similarly, at Fabrico, funds from the SOM's family were more important than commercial loans. There was a key person in the approval of commercial loans, however, who was called "a loyal friend" of the retired founder, working in the local bank from which the commercial loans were provided.

Similarly, non-family sources were only a supplement at Springco. As a token of support for Springco's technological innovation project, the local government approved a grant to the business. "Since the start of the business, this has been the only fund from outside my family, and it was less than ten per cent of what we actually needed," the SOM emphasised. Interestingly, when the retired founder referred to this grant, he was more appreciative, especially for his friend who worked in the local government and assisted with the application for that grant: "In China, who you know is usually much more important than what you have."

5.2.2 Trust

Across the eight family businesses, trust between immediate family members was generally higher than with relatives. In most cases, there were stable trust relations between the SOMs and their respective parent founders, which had an important and ongoing impact on the businesses, even though the founders were no longer "on the throne". However, it was not always true that the SOMs' family members, particularly relatives, were more trusted than non-family employees or friends.

At Springco, the SOM's family members appeared to be accorded the highest trust levels. They occupied all important positions in the business and took an active part in the

decision-making processes. As the SOM described, and was echoed by his brother and retired father, it was virtually impossible to differentiate the business from his family, given that the bulk of his family life was engaged with the business. The founder had retired as his health condition deteriorated, but his influence on the business remained. The SOM admitted that his father was still the first person that he would think of to consult. The SOM's mother took charge of networking and external relations management, overseeing and maintaining relations with key external stakeholders of the business, most of whom had engaged with the business since the first generation. The SOM's wife was accounting manager, assisted by the SOM's sister-in-law, who was an accountant. The SOM's younger brother, as mentioned above, was marketing manager. Further, the SOM's grandfather, in his eighties, had "important" responsibilities in the business, too – taking charge of the staff canteen. There were no relatives working in Springco, as there was "no need" at the moment, but they would be considered as a priority if they had suitable capabilities. The SOM argued that every employee in the business was trusted, otherwise they would not have been employed, but trust in his family was "unconditional", because "blood is thicker than water" after all.

The SOM of Fabrico, on the other hand, claimed that she did not trust her family members more than the non-family employees. She did admit, however, that her father was still the one she trusted the most; although he had retired, his involvement in the business was ongoing. Nonetheless, the three most important positions in Fabrico were occupied by the SOM's relatives – cousin as accounting manager, uncle as production manager, and husband's sister-in-law as marketing manager. Despite the SOM's denial, then, it seemed that family control was high at Fabrico, and so was the trust between the SOM's family members. In fact, the retired founder of Fabrico clarified that family members and relatives were easier to rely on, "after all, we *are* a family business."

The SOMs of Batteryco and Carco did not have a conscious preference for family members or relatives with regard to running their businesses, but both agreed that members of the family clan were easier to trust. In both businesses, the founder's retirement was described

as complete, because they had no direct influence on the businesses, although the offer of financial support from Batteryco's retired founder was "indefinitely effective", which was interpreted by the SOM of Batteryco as "goodwill" that provided emotional support. She also relied on her husband, who was in charge of the manufacturing functions, and was a key member of the "decision-making core" of the business. Although her mother and cousins also worked in the business, she attributed their employment to her family commitments rather than trust, as neither of them assumed an important position. Rather, she was especially appreciative of her friends, who were extraordinarily helpful to her business, particularly in terms of provision of market information. "I trust them, and they trust me. This is more meaningful to my business," she said. At Carco, on the other hand, the SOM's elder brother was the only family employee, without concrete responsibilities. The SOM thought his brother had little business talent, and was only capable of less complicated "routine" tasks.

Of the eight family businesses, LEDco, Pestco, and Spinco were the largest ones, and the three SOMs had similar views regarding trust of family members and relatives. They all had a founder who left the business for other business. Pestco's founder was presently fully engaged in social activities and both founders of LEDco and Spinco were pursuing new business opportunities, but they all had indirect involvement in the businesses, mainly through their agents who were their loyal employees and now members of the management teams at the three businesses. The three SOMs all valued the founders' ongoing involvement, and hoped that such involvement would continue. Their trust in relatives, however, tended to be low. "Relatives are harder to manage and having them in the business usually incurs more management costs," said the SOM of LEDco, explaining why he deliberately avoided having relatives in his business. The SOM of Spinco argued that relatives might not be loyal. He recalled that he used to employ one of his cousins, whose knowledge was needed for his business, but this relative was later found to be putting his personal interests ahead of that of the business, which was "unacceptable and intolerable". This relative was consequently fired by the SOM. As a result, the SOM took a very suspicious attitude towards his relatives from then on, and would rather trust "loyal" non-family employees.

Given the family disputes which haunted Ignitco's SOM for many years, it was not surprising that he totally denied any trust between him and his father and brother. But three relatives from his wife's side worked in his business, taking important roles in both routine management and decision-making. The SOM particularly mentioned his brother-in-law, who was in charge of raw material purchases, as a reliable and trusted person. Also, he referred positively to some of his friends, who did not work in his business but often provided market information and even "emergency cash support".

5.2.3 Guanxi networks

Guanxi networks are usually an indispensable resource for small to medium-sized Chinese family businesses (Chang & MacMillan, 1991; Chen, 2005). As is implied in the above quote from the retired founder of Springco, who one knows is often much more important than what one has in the Chinese business context. External networking typically leads the businesses to the person who has access to valuable business information, which can be used for desirable market outcomes (Anderson, Jack & Dodd, 2005; Dodgson, 2011; Simsek, Lubatkin & Floyd, 2003). This assumption was endorsed at all eight family businesses, where the SOMs' families assumed an essential role in the external networking processes and *guanxi* relationship management.

Fabrico and Springco relied on their respective SOMs' families to develop their *guanxi* networks. Both SOMs emphasised the importance of such networks, which was later on confirmed by their respective retired fathers. At Springco, the SOM's mother was responsible for maintaining the established *guanxi* networks, most of which were initially developed by the founder before his retirement. "After his health condition stabilised, he would still take part in the networking, if necessary," said the SOM, with reference to his father. The founder used to be a local official before he started the business, and thus had "ongoing *guanxi* friendship" within the local government as well as among clients, and such

"ongoing *guanxi* friendship" had remained a main source of government and market information. This was very similar to what took place at Fabrico, where most *guanxi* networks were developed by the retired founder, and carefully attended to by the SOM and her team.

The founder of LEDco used to be an official in the local government, too, at a senior level. After he started his own business, his contacts in the government became crucial resources, given that LEDco's business had been largely dependent on, and susceptible to, local government policy. These resources were now managed by the SOM and his team, but the founder's influence was pervasive. In comparison, Spinco did not have many contacts in the local government, but in the market. Although the SOM had developed some significant market relationships, most of his market networks were established by the founder. Interestingly, both SOMs of LEDco and Spinco mentioned their membership of an organisation called "Young Entrepreneurs' Association (YEA)", which was initiated and funded by the local township government. This organisation acted as one of the local government's services, promoting the networking of local business owners and the sharing of management experience. LEDco's SOM described the organisation as "not directly relevant" to his business, "but who knows, it is at least not bad to know other business owners," he added, which was echoed by his counterpart in Spinco, who said, "It does not hurt, after all, and may provide me with access to key persons who possess useful information."

Rather than the founders remaining the key persons in networking, Carco and Ignitco developed and maintained their current *guanxi* networks mainly by the respective SOMs and their agents. Some of these agents were the SOMs' former schoolmates or colleagues who presently worked in either the business arena, or the government – or semi-government – agencies. Similarly, at Batteryco the SOM mentioned that she had attended many business events organised by either the local chamber of commerce or industry association, at which many "helpful friends" were made. The SOM of Pestco also referred to business events, like public lectures and seminars, trade fairs, and business visits, as a vehicle for his external

networking.

5.2.4 Knowledge and expertise

Most of the eight family businesses were dependent on the SOMs or their families for key knowledge and expertise on technologies, or products. LEDco, however, was an exception. Being a high-tech product manufacturer, LEDco grew fast in the market in the last few years and had become one of the best known players in the industry. The SOM of LEDco admitted that he did not have key technological knowledge, nor did any of his family members, including the founder. The SOM held a master's degree in human resource management, earned from a university in the UK, but his knowledge about the product was described as "very basic". All professional engineers and technicians were recruited from the labour market "following a meritocratic principle". He thought of his role in the business as a "deployer" rather than an employer, in addition to being the owner. "I make decisions and facilitate the line managers with resources they need to implement the decisions, especially financial and human resources – this is the knowledge I have," said the SOM, with a reference to his education background.

The SOM of Batteryco did not have technological knowledge, either. She relied on her husband for production, and she invested most of her time in market and business development. Her husband, however, revealed that his knowledge about the product and technology was not as solid as the SOM thought, and that the real key person in this regard was his deputy, who was a qualified engineer. This key engineer had no kinship tie with either the SOM or the SOM's husband. He was first introduced to the SOM's husband when succession took place in Batteryco and the SOM decided to start manufacturing a different product from the founder – "He was my aunt's former colleague, and my aunt introduced him to me when she knew that we were interested in this product," said the SOM's husband.

In Carco and Ignitco, there were no such professional engineers; the respective SOMs provided the engineering expertise. Both had many years' experience with their respective products, and had sound knowledge of the technology. "It is not complicated technology," commented the Ignitco's SOM, echoing his counterpart at Carco, "It is a simple product, and the real point is not the technology, but the market." In terms of market knowledge and expertise, both SOMs relied on their external contacts, who provided market information regularly. In addition, they both did homework and fieldwork to advance their market knowledge, although Carco mainly targeted overseas markets while Ignitco's markets were more local. Also technologically simple was Spinco's product. According to the SOM of Spinco, "It is a capital and labour intensive industry, which anyone can enter as long as they have the funds and equipment." In fact, he relied on his line managers, all of whom were loyal employees from his father's time, for technological and market knowledge. Having an MBA from the UK, however, his knowledge and expertise were more about business management and the deployment of internal and external resources, though with his father's occasional assistance.

The remaining SOMs of Fabrico, Pestco, and Springco well understood their products, and contributed their respective technological knowledge to the production processes. Pestco's SOM even led an R&D team in person in his business. In addition, he was the chief technician and patent holder of his business. The SOMs of Fabrico and Springco also chaired a small group of technicians in charge of technology and product development, but their role in the groups seemed to be less central than that of their counterpart in Pestco. "At a certain level, my knowledge becomes invalid, and it is the head technician who takes most responsibilities," said the Springco's SOM, and echoed by his counterpart at Fabrico. Common to Fabrico, Pestco, and Springco was that the SOMs' families provided assistance to the business with their knowledge and expertise about technology, management, and market. At Springco, for example, the SOM's father, who was himself an engineer, still casually took part in, and gave advice at, the technician group's meeting. The uncle of Pestco's SOM, who claimed to know every individual employee in the business – over one thousand in total – was considered by the SOM as a core manager in charge of most internal administrative routines. Further, at Fabrico the retired founder still sometimes visited other

businesses or attended trade fairs to collect information to assist the SOM's "market research".

5.2.5 Organisational culture

All the eight family businesses paid attention to the formation and development of their own organisational cultures, and referred to them as an important resource for their businesses. All except Ignitco's SOM admitted that the organisational cultures reflected their respective family cultures, or that they consciously developed the organisational cultures from the essence of their family cultures. The SOM of Ignitco, by contrast, did not think that his family had an established culture. Rather, he believed that the organisational culture reflected his personal style, which was described as "ambitious, independent, and fast-paced". However, this culture was not what he wished his family to take on. "Business is business, and family is family. If there is a so-called 'culture' in my family, then it must be competition-free and stress-free," he emphasised, differentiating his family "style" from his organisational culture.

Such differentiation did not exist in Springco. According to the SOM, his business life overlapped his family life, and what happened in the business was what happened in the family. He referred to his organisational culture as the extension of his family culture, because the business itself was an extension of his family. This view, however, was not completely accepted by the SOM of Batteryco. Although she confirmed that her business life and family life overlapped to some extent, she did not consider the business as an extension of her family. She put forward a concept of "*jiazu xing qiye*" ("family-like business"), in contrast to the notion of "*jiazu qiye*" ("family business"), in her business management. She explained that the essence of her organisational culture was based on this perception. All her employees were told to treat the business as their own family, and the business often held "family-style activities" for all the employees, such as tours arranged and paid for by the business, and birthday celebrations for every employee. "My goal is to

develop a family-like business, in which every employee feels as comfortable as at home. I hope they don't see me as a boss, but a caregiver," the SOM said. She seemed to be successful in this regard, as she was called by her first name by the senior employees, and "*dajie*" ("big sister") by the younger employees, rather than her title, such as "manager" or "boss" as normally happens in Chinese businesses. This explicitly suggested an ethos of affinity and trust.

The SOM of Fabrico also tried to develop a family feeling among the employees. Employees were assigned to different workgroups in accordance with job responsibilities. These workgroups, however, became "family groups" after work, and the SOM regularly took part in the activities of each "family group", including outings and all kinds of celebrations, the costs of which were paid by the business. At Fabrico, a banner stood out at its main entrance, which read "*Chang xing wo rong; chang shuai wo chi.*" ("Glorious am I when the business booms; shameful I am when the business dooms.") This implicitly suggested that a "family-like" approach was taken in the management of Fabrico, in a similar sense to that in Batteryco.

Carco, LEDco, Pestco, and Spinco did not develop such family-like organisational cultures, but the family orientation in their organisational cultures was still noticeable. For example, all four SOMs gave presents at their employees' personal milestones, such as birthday celebrations, weddings, birth of a child, and even offered condolences at funerals of employees' family members. The only difference was that the SOMs of LEDco and Pestco sometimes commissioned a mid-level manager to be present at such events on behalf of them, while their counterparts at Carco and Spinco always insisted do it in person, for each individual employee.

In sum, the extent to which the businesses relied on resources provided by the SOMs' families differed. For most, the family was only one of the resource providers. Others included external networks, and those which were accessible through market means, such as

recruitment from the labour market. The SOM's family might still exert a subtle influence on the acquisition and deployment of resources from external sources, given that China is a more relational rather than transactional society (Chen, 2005), in which non-market means are often more effective than market means with regard to accessing resources (Kshetri, 2007). That said, as Table 5.2 depicts, on the resources dimension "familiness" presented more differences that will help identify the family orientation and market orientation of the businesses.

Table 5.2 Reflections on the resources dimension of "familiness"

Sub-dimensions **Businesses**	**Finance**	**Trust**	***Guanxi* networks**	**Knowledge and expertise**	**Organisational culture**
Batteryco	Mainly supported by SOM and her husband	Inclined to family members and relatives	Developed and managed by SOM in market	Relied on SOM's husband and his associate	Advocated a "family-like" business
Carco	Mainly supported by SOM and his wife	Family was trusted	Developed and managed by SOM in market	SOM was mainly self-reliant	Influenced by SOM's personal values
Fabrico	Mainly supported by family and founder	Family member an long-term employees trusted	Developed and managed by family	SOM and founder Maintained most know-how	Developed and managed in a family style
Ignitco	Mainly from SOM, and wife, some non-family sources	Trusted own family and in-laws	Developed and managed by SOM in market	SOM was technologically capable	Family values mattered in its formation
LEDco	Mostly supported by commercial loans, and family	Competence trust[1] of non-family employees	Relied on founder and his agents	Relied on non-family employees	Reflected SOM's personal style and values
Pestco	Reliant on both family and external sources	Competence trust[1] of non-family employees	Founder involved, and non-family means adopted	Relied on founder's agent and R&D team	Did not involve much of SOM's family values
Spinco	Almost completely reliant on family	Competence trust[1] of non-family employees	Relied on founder and his agents	Relied on founder's agents	Did not emphasise the family side
Springco	Vast majority from family, very little external	Very much within the family	Developed and managed by family	R&D team led by SOM in person	Overlap with SOM's family culture

Note: 1. "Competence trust" refers to confidence in someone on the basis of his or her "competence to carry out a specific task", in comparison to other types of trust, including "goodwill trust" and "contractual trust" (Sako, 1992, p. 10).

5.3 Decision-making

Decisions made in the family businesses were closely connected with the business operations. Normally, the owner-manager of a small to medium-sized family business is primarily responsible for the decision-making. However, the owner-managers are not necessarily the only decision-maker in the business. Most second-generation family businesses in this research took a less centralised approach in their decision-making than the literature claims (cf., Kirby & Fan, 1995; Lee, 2006; Pistrui *et al.*, 2001). Investigating whether and how much the decision-making processes were dependent on, or inclined to, the SOM's family sheds important light on the "familiness" of the business.

5.3.1 "Second person"

Not surprisingly, all SOMs claimed that they were the final decision-makers in their respective businesses. As second-generation leaders of small to medium-sized Chinese family businesses, their claims were reasonably realistic. However, after interviewing other informants, especially the non-family employees and outsiders, it seemed that some businesses had more than one decision-maker, although the SOMs were the one in the foreground. But sometimes there was a "second person" who could make key decisions on the SOM's behalf, particularly in the absence of the SOM, which made a substantial difference to the decision-making practices of the businesses.

At Springco, the SOM did not think it was necessary to appoint a definite "second person" who could deputise for him, because everything would be settled at the "*dongshi hui*" (board of directors' meeting): "It is my '*jiashi hui*' (family meeting) in nature," the SOM articulated, as all directors were his immediate family members. Echoed by his father and brother, the SOM described the decision-making processes in his business as "reconciliation and consensus". He summarised that before important decisions were made, there would usually be a series of family meetings, at which "collective wisdom was sought" and all

family members expressed their opinions on the issue, although his wife and his sister-in-law were normally quieter, primarily because they were both in-laws to the family and it was a breach to the traditional norm if in-laws took a high profile in the family life. When there were different views, either the SOM or the founder would take on a reconciler's role until a consensus could be reached. However, the SOM also admitted that his father, being the head of the family, was usually more effective as a facilitator, and that he would "respect" his father's view if it was different from his.

Fabrico's style was similar to that of Springco, the difference being that the reconciliation and consensus were not done at "*jiashi hui*", but meetings with mid-level managers, most of whom were the founder's loyal veterans. Fabrico's SOM did not have a "second person", either, but she mentioned her senior deputy's name in a tone of uncertainty. A "second person" was thought of by both SOMs of Ignitco and Batteryco, and their respective second persons were already active in decision-making processes. Ignitco's SOM referred to his brother-in-law, who was responsible for inbound raw material purchases, and Batteryco's SOM pointed to her husband.

The SOMs of Carco, LEDco, Pestco, and Spinco rejected the idea of having a second person to make decisions in their absence. Carco's SOM said, "I do not often have many big decisions to make, and I usually make very quick decisions – the point is I am the only decision-maker and nobody can act on my behalf." This view was echoed at LEDco, Pestco, and Spinco. At Spinco, for example, the SOM asked, "Why should I have a second person when the business is totally mine?" The SOM of Pestco similarly emphasised: "Mine is a family business, so it is me, and only me, who should be responsible for all decision-making, at all times." Nonetheless, according to the non-family employees interviewed, an unofficial "second person" might exist in LEDco, Pestco, and Spinco. At LEDco, the "second person" was believed to a long-term employee who had worked in the business since its founding, and was a very close friend of the founder and his family. "His status is quite high in the business, and many internal reports and proposals are actually first submitted to him for signing off," the non-family line manager recalled at the interview, with reference to

the general manager's office manager, whom he thought was the second decision-maker besides the SOM. A similar situation was revealed at Spinco, where the assistant manager, a veteran employee from the founding of the business and a friend of the founder, was in charge of many routine operations, including making decisions for the SOM. At Pestco, the SOM's claim of having no "second person" was undetermined, when the SOM was overheard discussing a transaction with his uncle, who was his senior aide in the business. The tone and the contents of the discussion suggested that the SOM's uncle was much more than an ordinary family employee. A subsequent interview with a local government official confirmed this impression, when he revealed that the SOM's uncle was a representative of the SOM in a number of local business events.

In the absence of further clues, it was still hard to judge whether there was a "second person" in the decision-making in LEDco, Pestco, and Spinco, but at least one thing was certain: decision-making in these businesses was substantially influenced by some key employees, who were either from the SOM's family or the founder's loyal and trusted agents in the businesses.

5.3.2 Participation in decision-making

Although all the SOMs insisted on their "absolute authority" as final decision-makers, they also admitted that not all decisions were made independently by them, and that a variety of people participated in the decision-making processes, either on a regular basis, or simply by chance. At Spinco, for example, one of the mid-level managers revealed that the founder still "occasionally" interfered with the business management and decision-making, particularly on some "important" issues. He noticed that the founder's reactions to these important issues were not always identical with the SOM's, and the SOM knew how to reconcile the founder's points of view in his decision-making. Such happenings led him to the belief that the SOM might not be the real "final decision-maker", at least not always. A similar impression was expressed by Fabrico's senior deputy manager, who felt that the

retired founder might still retain a certain level of decision-making power which overrode that of the SOM. This was neither confirmed nor denied by the retired founder, however, who repeated that he was no more than an advisor to the business, but would be happy if his daughter discussed matters with him before she made a decision. Indeed, it was Fabrico's SOM herself who indirectly accepted her deputy's assumption by saying that she would "respect" her father's opinions in most cases when hers were different.

A local government official, who was a former colleague of LEDco's founder, and who was now in charge of local private businesses and thus had numerous interactions with LEDco, revealed that on a number of occasions, he contacted the founder, although he knew the SOM well, and the founder's attitude and tone made him believe that the SOM would listen to and follow the founder's judgements. He therefore assumed that dealing with the founder would be more convenient and effective than with the SOM. Interestingly, when asked whether he would listen to his father when they had different opinions about the business, the SOM of LEDco responded, "It is not as simple as I listen to him or he listens to me. It is a process of understanding each other's point and seeking the common ground. His opinions are of course important, but after all, I make all decisions."

All three SOMs at Fabrico, LEDco, and Spinco insisted that they were the final decision-makers. On the other hand, they were more comfortable to call their respective founders "participants" in the decision-making processes, rather than a "*tai shang huang*" ("emperor's father", which in the Chinese language usually refers to the person who really controls matters). Other participants included the SOM's family members or relatives who either worked in the business, like in Batteryco, Fabrico, Ignitco, Pestco, and Springco, or did not officially work in the business, as in Carco.

A common feature of Batteryco, Fabrico, Ignitco, Pestco, and Springco was that at least some of their mid-level managers were the SOMs' family members or relatives. These mid-level managers were referred to by the respective SOMs as "active" or "influential" participants in

the decision-making processes. For example, Ignitco's SOM described his brother-in-law, who was responsible for Ignitco's raw material purchases, as a "*canmou*" ("staff officer") that he usually discussed matters with and got solid suggestions from when decisions about inbound cost control and price bargaining were made. Similarly, at Batteryco, the SOM described her husband as her "*junshi*" ("military advisor"), which in the Chinese language normally refers to an important person, without whom a right decision could not be easily made.

5.3.3 Consultation

Across the eight family businesses, a wide range of parties were consulted in the decision-making processes. These parties, either from the SOMs' families or external to the businesses, did not really take part in the decision-making. Rather, they were invited to provide certain information to assist the decision-making.

In general, the SOM's family members were usually the first people whom the SOMs consulted for information to assist their decision-making, even if they were not directly engaged in the businesses. At Fabrico, for example, although the SOM's husband was a local government official overseeing foreign trade and was not formally involved in the business, he was frequently consulted by the SOM: "Because he works in the government, he always avoids involvement in my business, but my father and I do consult him sometimes, usually for his interpretation of policies," explained the SOM.

In addition, all the eight businesses had external networks to consult for their decision-making. For example, the SOMs of both LEDco and Spinco referred to the local YEA, to which they were active members, as a venue where they extended their networks, shared management experience, and consulted for information to facilitate their decision-making. But as Spinco's SOM further explained, they were normally sceptical about the information told by their YEA contacts, and would not depend too much on it when

they made decisions, unless it was verified by more reliable sources. This was possibly because all YEA members were local private business practitioners, who had potential competing interests, hence the belief that "*tonghang shi yuejia*" ("peer is the enemy"). On the contrary, contacts in the government agencies tended to be more credible, presumably because they had little potential to compete with the businesses. Batteryco, Fabrico, LEDco, and Spinco all had contacts, of either the respective SOMs or the founders, in the government, who were often consulted before a decision was made.

Last but not least, employees were also often consulted for decision-making purposes, especially when the decision would directly impact them. The SOM of Fabrico admitted that she would usually rely on the line managers or the head foremen, rather than frontline workers, for information she needed, but the workers did have their say – normally through their managers or heads. This view seemed to be shared by her counterparts in the other seven businesses. For instance, Springco's SOM revealed that although frontline workers were often consulted for certain information, they were not actually involved in the decision-making.

5.3.4 Implementation

In terms of implementation of their decisions, most businesses depended on their mid-level managers or key employees. Being relatively small in size, Carco did not have an explicit middle level in its management, and the SOM therefore usually delivered his decisions directly to the frontline employees. However, his brother often helped oversee the implementation. The SOM remarked: "He does not have fixed commitments, so I sometimes ask him to watch the workers and report to me if an instruction is not followed." There was a similar person at Pestco who monitored the implementation of the decisions. As the senior deputy manager, the SOM's uncle was responsible for most internal administration, including ensuring that the decisions were correctly implemented. Such responsibility was mainly taken by mid-level managers at Batteryco, Fabrico, LEDco, and

Spinco. The SOM of Batteryco, for example, emphasised that her husband had multiple roles with relation to decision-making, including a participant, an implementer, and a reviewer.

In comparison, Ignitco and Springco appeared to be more dependent on the SOMs' families in regards of implementation of business decisions. At Ignitco, the SOM's brother-in-law was in charge of implementation of decisions regarding raw material purchases, and the SOM himself took care of the manufacturing and marketing sections. Similarly, at Springco, where all management positions were taken by the SOM's family members, the SOM naturally, and habitually, relied on his family for the implementation of the business decisions.

5.3.5 Decision review

In most of the eight family businesses, the decisions were constantly reviewed following implementation, and necessary adjustments were made in accordance with the feedback. Therefore, it was not surprising that the findings on this sub-dimension were mostly consistent with the findings on the implementation sub-dimension. The businesses tended to have mid-level managers, who were also the main implementers, as regular reviewers, besides the SOMs themselves.

Although there were similarities between the findings on this and the last sub-dimensions, slight differences were noticed at the businesses of LEDco, Pestco, and Spinco. At Pestco, for example, there was a specially established quality supervision department, which was to oversee the production and sales functions and identify potential risks, including those resulting from a flawed decision of the management. It was generally effective, although it was unable to review decisions on sensitive issues, such as the financial planning and budgeting, which were reviewed by the SOM in person, with assistance of his uncle, as revealed by a non-family line manager of Pestco.

At LEDco and Spinco, in addition to the SOMs and the mid-level managers, the retired founders appeared to take a supervisory role in the decision review, especially in relation to critical decisions which had a deep impact on the businesses, such as the introduction of new equipment and new products. Both SOMs welcomed the founders' involvement in the decision review processes, and treated the founders' feedback or suggestions very seriously, which usually meant to adjust, or even significantly change, the original decision. Again, for most of the time, the founders' influence on the decision review was exerted through the veteran agents in the respective businesses.

Table 5.3 Reflections on the decision-making dimension of "familiness"

Sub-dimensions **Businesses**	**"Second person"**	**Participation in decision-making**	**Consultation**	**Implementation**	**Decision review**
Batteryco	SOM's husband had legitimacy, and was recognised	Mostly SOM's family members and relatives	Both within and outside the business	Involved family and non-family managers	SOM and her husband
Carco	SOM's wife was implicitly responsible	SOM's wife and in-laws, not regularly though	Stakeholders from both family and commerce	SOM's brother had a leading role	SOM took charge in person, backed by brother
Fabrico	Relied on SOM's family, esp. the founder	Regular founder involvement, besides his agents	SOM's husband, and frontline workers at times	Relied on line managers, with founder influence	Founder involved regularly and actively
Ignitco	SOM's brother-in-law was appointed	Regular participation of SOM's in-laws	Slightly inclined to outsiders	Primarily SOM's in-laws, and other line managers	SOM's in-laws took substantial responsibilities
LEDco	A non-family manager and founder's agent	Founder and his agents in the business	Government agencies and market networks	Relied on the management hierarchy	A review system in organisation structure
Pestco	SOM's uncle was extensively involved	Founder involved indirectly, througl agents	Not limited to family stakeholders	SOM's uncle was in charge, backed by line managers	A review system established in business
Spinco	SOM's non-family deputy	Founder and his agents in the business	Government agencies and market networks	Very much hierarchical	Structural process, relied on mid-level team
Springco	Responsibility shared within SOM's family	Within SOM's family	Mainly SOM's family	Fully relied on family members in the business	Responsibility shared within SOM's family

To sum up, distinct differences were found between the eight family businesses on the decision-making dimension (see Table 5.3). These differences, in general, suggested that decision-making in these businesses did not heavily rely on the SOMs alone, and multiple parties could influence the processes. The businesses had different combinations of family orientation and market orientation in their decision-making; some took more consideration of the family interests, while others highlighted the buying in of information from third-party players in the market, such as consultants and government agencies. These findings, combined with findings on the other two dimensions, will yield important insights to understanding the "familiness" of each individual business, and help determine the overall orientation that these businesses took in their strategies and management.

5.4 The FO-MO continuum

Pure objective measurements are not possible for research of this nature, which makes most sense through interpretive inputs, but numerical criteria can still be used to assist the presentation and interpretation of descriptive data, to increase the data's intuitiveness (Boyatzis, 1998; Bryman & Cassel, 2006). To present the qualitative "familiness" findings in a measurable manner, which facilitates relation to, and comparison with, findings about the entrepreneurial processes in following chapters, a scoring system (from 1 to 5) is created and employed to evaluate the fifteen "familiness" sub-dimensions in each family business. The total scores indicate the overall level of "familiness" in the businesses, and enable their location on a continuum between the family orientation (FO) and market orientation (MO) poles, which was conceptualised in Chapter 2. As Table 5.4 and Figure 5.1 depict, the minimum score of 15 represents the MO pole, towards which the business typically pursues for market values by acquiring and organising resources by market means. On the other hand, the maximum score of 75 represents the FO pole, towards which the business typically emphasises the owner-manager's family interests and uses family means to pursue and maintain such interests.

Table 5.4 *The three-dimensional "familiness" scores*

Dimensions	Sub-dimensions / Businesses	Batteryco	Carco	Fabrico	Ignitco	LEDco	Pestco	Spinco	Springco
Business objectives	**Family wealth**	4	4	3	4	4	2	4	5
	Family values	4	4	4	4	5	3	3	4
	Family employment	4	3	3	3	1	3	2	5
	Family reputation and social status	2	4	4	5	3	3	3	2
	Continuation and succession	1	2	5	1	2	5	3	5
	Sub-total	**15**	**17**	**19**	**17**	**15**	**16**	**15**	**21**
Resources	**Finance**	4	4	4	3	2	2	5	5
	Trust	4	3	4	4	2	2	2	5
	***Guanxi* networks**	1	1	5	1	3	2	3	5
	Knowledge and expertise	2	3	4	3	1	3	2	4
	Organisational culture	4	3	4	3	2	2	2	5
	Sub-total	**15**	**14**	**21**	**14**	**10**	**11**	**14**	**24**
Decision-making	**"Second person"**	5	3	4	4	1	1	1	5
	Participation in decision-making	3	2	4	3	3	3	3	5
	Consultation	3	3	4	2	1	1	1	4
	Implementation	3	3	4	3	1	3	1	5
	Decision review	3	3	4	3	2	1	2	5
	Sub-total	**17**	**14**	**20**	**15**	**8**	**9**	**8**	**24**
	Total	**47**	**45**	**60**	**46**	**33**	**36**	**37**	**69**

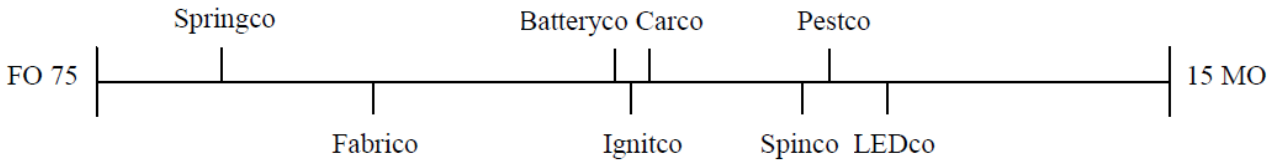

Figure 5.1 The FO-MO continuum

As explained in Chapter 2, an important effect of the firm's level of "familiness" is related to the strategic orientations that the firm takes in its management and operations. As Figure 5.1 indicates, the eight family businesses in this research generally demonstrated three different combinations of the family and market orientations, which tentatively suggested

three groups of businesses in accordance with their "familiness". The first group included Fabrico and Springco, both of which inclined to the FO pole. Their detailed "familiness" rating showed that they both received notably higher scores on all three dimensions, which implies that they consistently emphasised the SOMs' family interests in the businesses and maintained a high family orientation in almost all aspects of their business management, ranging from ideology to behaviour.

The second group was comprised of Batteryco, Carco, and Ignitco, which were roughly on the middle of the FO-MO continuum, and equidistant from both the FO and MO poles. These businesses had a hybrid combination of family orientation and market orientation in their business strategies and management, and generally kept a balance between the interests of the SOM's family and other stakeholders. Their "familiness" scores on the three dimensions suggested that family orientation and market orientation were consistently combined, roughly in equal proportion, on their business objectives, resources, and decision-making.

LEDco, Pestco, and Spinco constituted the third group, which was the most market-oriented group. Unlike the previous two groups, the three businesses in this group received inconsistent scores on the "familiness" dimensions. Their business objectives scores did not suggest a notable market orientation in these businesses, and on the resources dimension, their scores were just slightly inclined to the MO pole, making no significant difference from their counterparts in the second group. However, their apparently market-oriented decision-making considerably lowered their overall "familiness" scores, and reinforced their identity as the most market-oriented businesses. A possible explanation of such uneven distribution of their "familiness" scores could be that these three businesses had a comparatively larger scale than the others, and were therefore more exposed to the market means and practices, which gradually influenced the way that the businesses were actually managed. At the same time, the traditional perception on the businesses as a family undertaking contributed to the SOMs' family interests being taken good care of, and was particularly reflected on the dimension of business objectives (cf., Pistrui *et al.*, 2001; see

also Kirby & Fan, 1995).

A popular image of the second-generation Chinese family businesses is that their strategies and management are more market-oriented than in the first generation (Xiang & Teng, 2008), as a result of the changing environment and a range of changes at the multiple levels, such as the introduction and improvement of the market mechanism in China (Kshetri, 2007; Li & Matlay, 2006), the government's advocacy of a "modern enterprise system" in commerce (Chen, 2005), increasing competition in both domestic and global markets (Pistrui *et al.*, 2001), and the SOMs' personal values (Chen, Li & Matlay, 2006; Kirby & Fan, 1995). Lacking data about the first-generation "familiness", this research is unable to verify this assumption. However, the findings on the three "familiness" dimensions suggest that the second-generation Chinese family businesses studied in this research were diverse in their strategic orientations. How this diversity influenced the entrepreneurship in these family businesses will be investigated in subsequent chapters.

6. OPPORTUNITY AND INNOVATION

Chapter 5 presented the "familiness" findings of the eight second-generation family businesses, on three dimensions. This chapter in turn will examine their entrepreneurial processes and innovations.

As discussed in Chapter 2, despite the absence of a universally accepted definition of entrepreneurship, the literature has generally acknowledged that it refers to the opportunity creation and exploitation processes (Shane & Venkataraman, 2000; Venkataramen, 1997), in which an entrepreneur, or an entrepreneurial team, through cognitive and behavioural activities (Bygrave & Hofer, 1991; Casson, 1982) turns opportunities into market outcomes (Sarasvathy, Dew, Velamuri & Venkataraman, 2003; Shane & Eckhardt, 2003; Zahra & Dess, 2001). This opportunity approach to entrepreneurship is critical of prior approaches that heavily focused on individual facets of entrepreneurship, such as the entrepreneur's personal traits (Chell, 1986; Liles, 1974), or alternatively on the creation of new business ventures (Gartner, 1988). More importantly, it provides the ground on which entrepreneurship can be viewed through multiple lenses: the entrepreneur who undertakes and drives the processes, the opportunity that encourages the processes, and the outcome that validates the meaningfulness of both the opportunity and the processes.

This chapter will therefore investigate the entrepreneurial processes in the eight family businesses by focusing on attitudes and behaviours in opportunity creation and exploitation, the types of the opportunities, and the nature of the outcomes. In line with the early Schumpeterian approach to entrepreneurship, which emphasises the significance of innovation as a critical feature of entrepreneurship (Schumpeter, 1934), and given that the eight Chinese family businesses in this research were all small to medium-sized manufacturers where innovation was in essence a requirement for their survival and development in the market (Whittaker, 1999; Whittaker *et al.*, 2009), innovation is regarded as an outcome, in addition to a screening criterion, of the entrepreneurial processes.

The organisation of this chapter is as follows. The first section will focus on the actions and reactions of the businesses – primarily through the successor owner-managers' (SOMs) attitudes and behaviours – in opportunity creation and exploitation processes, coupled with an assessment of the nature of the opportunities, which are in accordance with the view of entrepreneurship as the nexus of the features of the entrepreneur and the nature of the opportunity (Shane, 2003; Shane & Eckhardt, 2003). The second section will examine the nature of the innovations that these businesses implemented, primarily as a result of their entrepreneurial processes of opportunity creation and exploitation. Given the nature of entrepreneurial processes being reversible and interactive (Sarasvathy, 2001; Shane & Venkataraman, 2000) and that the means and ends are mutually influential (Whittaker *et al.*, 2009), it is likely that the SOMs' attitudes and behaviours, the nature of opportunities, and the innovation outcomes are interrelated. This interrelation will be discussed in the last section, together with a brief summary of this chapter.

6.1 Opportunity creation and exploitation

To start this section, it is worth re-emphasising that Venkataraman's (1997; see also Shane & Venkataraman, 2000) DEE framework (opportunity discovery, evaluation, and exploitation) of entrepreneurial processes greatly simplifies these processes into three sequential stages, which in reality are difficult to distinguish from each other, given the non-linear and contingent nature of entrepreneurship (Sarasvathy, 2001, 2008; Whittaker *et al.*, 2009). In other words, although the DEE framework has successfully drawn research attention to opportunity as a key factor in the entrepreneurial processes, it still lacks operability for empirical research, at least in an unmodified form.

With its emphasis on the existence and discovery of opportunities, moreover, the DEE framework overlooks the fact that many entrepreneurs essentially pursue "ambiguous, changing and *constructed* goals" (Sarasvathy, 2001, p. 244; emphasis as in original). This

is relevant to the second-generation family businesses in particular, as the SOMs are typically in need of distinctive merits to reinforce their business leadership, and perhaps family leadership as well (cf., Alvarez & Barney, 2007; Whittaker *et al.*, 2009). Realistically, the SOMs have to process the potential, which is discovered or recognised, in order to construct an actual entrepreneurial outcome, leading to substantial "distinctive merits" that are sought after. In this context, the entrepreneurial opportunity is typically created rather than simply discovered or recognised.

Like any creative process, opportunity creation is not an overnight effort. Rather, it involves a set of experimental and progressive actions and reactions, which are synchronised with constant evaluations of the potential opportunity. On the other hand, the goals become less ambiguous, if not clear, whilst the opportunity is gradually created, and exploited. Therefore, the SOM's attitudes and behaviours in the opportunity creation processes, in addition to the type and nature of the opportunities, are not only indicative of the means that the firm employs to evaluate and exploit the opportunity, but also critical for the ends that the entire entrepreneurial processes lead to – innovations as this research specifies.

6.1.1 Attitudinal and behavioural differences

Not surprisingly, all the eight SOMs highlighted, to different extents of course, their initiative and dominance in opportunity creation activities, especially in their initial awareness of, and subsequent search for, information that could shape a potential opportunity. On the one hand, these convergent claims reinforced the perception that the SOMs were keen to build up their own business profile to legitimise their succession and consolidate their leadership. On the other hand, divergence was notable in their attitudes that guided the actions and reactions of the businesses with regard to the opportunity creation and exploitation processes.

In general, the SOMs' attitudes and behaviours varied between two extremes – an external

orientation (EO) and an internal orientation (IO)[15]. Those towards the EO extreme were typically proactive in their search for a potential opportunity from outside the existing businesses, intending to significantly change the existing business. In other words, they were attuned to the external environment, be it familiar or unfamiliar to them, for a potential opportunity (Woods, 2006). They typically started from venturing into the external context, through both existing and new networks, looking for any information that they could utilise to locate an interesting and valuable potential opportunity. In doing this, they minimised consideration of the resources they had control over or access to, until they found sufficient interest in a certain potential opportunity, and determined to further process and exploit it. Here, the processes were contingent rather than planned or programmed (cf., Robertson, 1967), or largely dependent on what emerged from the external environment. And to continue creating an opportunity out of the potential that they sensed or recognised, the SOMs usually needed to develop new capabilities and acquire new resources. This was supplementary to Whittaker *et al.*'s (2009, p. 40) argument that the successors "were free from the immediate pressure of gathering and organizing resources". The SOMs of the businesses closer to the EO extreme were not under "pressure" to acquire new resources and develop new capabilities. They were, however, motivated to do so, as we shall see.

On the other hand, SOMs of the businesses towards the IO extreme were more selective in their search for potential opportunities. They started from an assessment of their existing resources and capabilities, and had in mind a "*zi zhi zhi ming*" ("self-knowledge"; as described by SOM of Springco) before they ventured into their business networks, most of which had been established by the respective founders prior to succession, for what they could develop into a "suitable" opportunity, and then through to "desirable" outcomes. Unlike their externally-oriented counterparts, SOMs of the internally-oriented businesses had a more operational or planned approach, which directed them to go step by step through the processes. Also, their processing of the potential opportunity usually started on a small scale, and only when the "exploitability" of the opportunity was confirmed by their tentative efforts would they allocate further resources to it. Thus, the businesses of this extreme

[15] Similar terms used to describe patterns of a similar nature include "promoter" and "trustee" in Stevenson, Roberts and Grousbeck (1994) and "market pull" and "technology push" in Whittaker *et al.* (2009).

tended to be more resource-pushed than opportunity-pulled (Stevenson, Roberts & Grousbeck, 1994). The underlying guideline that the SOMs of these businesses employed was that the opportunity was valuable only when necessary resources, or access to these resources, were in place. Rather than developing new capabilities, SOMs of the internally-oriented family businesses were more interested in sustaining and reinforcing existing capabilities, and hence pursuing innovations which were incremental to their businesses.

The SOMs' attitudes and behaviours were also mirrored through the nature of the opportunities that they created and exploited. Companys and McMullen (2007) conclude, after a thorough review of literature on the nature of entrepreneurial opportunities, that no matter what perspective is taken when categorising entrepreneurial opportunities – be it economic, cultural cognitive, or socio-political perspective – in essence they are initiated by either demand or supply. This typology sheds light on the interrelation between the SOMs, as entrepreneurs, and the opportunities. As the SOMs of the externally-oriented businesses tended to be more reliant on the external environment for a potential opportunity, it was more likely for them to create and exploit an entrepreneurial opportunity from the demand side. On the other hand, SOMs of the internally-oriented businesses started from the existing resources and capabilities of the businesses, which they subsequently used as a "filter" in the search for a potential opportunity, and as a result, it was more credible for them to create and exploit an entrepreneurial opportunity from the supply side. Thus, examining the SOMs' attitudes and behaviours in the opportunity creation processes has implications for the understanding of the nature of the opportunities, and *vice versa*.

To help visualise the above-mentioned differences, a scale between the EO extreme and the IO extreme is employed. Being indicative of the nature of the opportunities, attitudes and behaviours of the SOMs in the entrepreneurial processes can be located on the scale by assessing a range of criteria, as conceptualised in Chapter 2, including 1) initial motivation/intention, 2) source of initial idea, 3) use of existing resources, 4) relevance of opportunity to existing business, and 5) relevance of outcome to existing business. A

scoring system (from 1 to 5) is developed to assess each of these criteria, and the total scores reflect the SOMs' attitudinal and behavioural differences in the entrepreneurial processes. The next five sub-sections will examine each of these criteria and explain the scoring system in further detail, with reference to the SOMs and their businesses.

6.1.2 Initial motivation/intention

This criterion assesses the SOMs' initial motivations for conducting entrepreneurial activities in the businesses, or simply why they needed an opportunity. The lowest score 1 stands for the motivation/intention to completely change the existing business, and the highest score 5 represents a desire to continue with the existing business. As mentioned above, all SOMs claimed that they initiated a search for a potential opportunity. But the rationales varied, ranging from disagreements with what the founders had done (Batteryco, Carco, and Ignitco) through awareness of the need for a change in the business (LEDco, Pestco, and Spinco) to determination to continue "*family* success" (Fabrico and Springco; emphasised in contrast to "business success"). These different rationales help to explain the differences in the SOMs' initial motivations and behaviours in the opportunity creation processes. For example, those who disagreed with the founders, namely the SOMs of Batteryco, Carco, and Ignitco, tended to sidestep the existing resources and capabilities, which were mostly inherited from their father founders. Instead, they started their opportunity creation by proactively searching for "what was demanded" in the external environment without a thorough evaluation of "what we could supply" in the first instance. For them and their businesses, the starting point was not the existing resources and capabilities, but something outside of the existing businesses that they could make use of to achieve their objectives. Realistically, to achieve such objectives, they usually had to acquire and organise resources on the one hand, and dispose of some existing resources on the other (cf., Whittaker *et al.*, 2009).

In contrast, some other SOMs, who were motivated to strengthen the existing business, started their entrepreneurial processes from an internal assessment of the existing resources

and capabilities, and used this assessment to plan and direct their next steps in the search for potential opportunities. Basically, their entrepreneurial processes started from "what we can supply", after which they went on to find out "to whom we can supply". Entrepreneurial processes at Springco were typically started in this way, as the SOM reflected: "Being a small business, our ability to accommodate the market demand was restricted as a result of our resource scarcity, but we could of course act within the boundaries of our ability." Apparently, assessing the existing resources and capabilities helped him to set the "boundaries" of the firm's ability.

Similarly, the SOMs of Fabrico, LEDco, Pestco, and Spinco also intended to reinforce the existing business, and started from an assessment of the existing resources and capabilities of their businesses. Slightly differently from their counterpart at Springco, however, these four SOMs tended to use the assessments to broaden their search for a potential opportunity, rather than narrowing it down. In other words, resource assessment at Springco resulted in a single direction for the subsequent opportunity search; while at Fabrico, LEDco, Pestco, and Spinco, it resulted in a range of directions that the SOMs and their businesses could probe. This was mainly because these SOMs did not just intend to strengthen the existing business, but sought for "something different" from the first generation. For example, at Pestco, the assessment of its existing resources and capabilities drew the SOM's attention to the firm's idle cash stock, which could have been more effectively taken advantage of. And this gave rise to his consideration of "something capital-intensive", in addition to advancing his existing technology-intensive business. Overall, SOMs who initially intended to change their existing businesses and started from assessing existing resources and capabilities appeared to be more interested in achieving more resource effectiveness out of what they already had control over.

6.1.3 Source of initial idea

This criterion examines the source of initial idea to work on certain potential opportunities,

which later led to the creation of entrepreneurial opportunities. The lowest score 1 indicates that the initial idea was formed from networks completely external to the business, and the highest score 5 implies that such idea was shaped from completely within the business, usually involving an employee or a family member.

In practice, the SOMs started to shape their initial ideas about creating a certain opportunity after receiving certain information, which might be incomplete but potentially valuable. The source of such intriguing information could be either in the SOM's business, or from the SOM's external networks. For example, Carco's SOM came up with his initial idea when his former employer and client sought his help with production of a new product, which had nothing to do with the existing business of Carco. This was considered an external source, and was consequently rated 1 as being highly external to the existing business. A similar case could be seen at Batteryco, where the SOM "overheard" pieces of information at a social gathering with her husband's relatives, who had no stake in her existing business at all, and believed that that was something that she could take advantage of. "It was my husband's aunt who accidentally mentioned that her former colleagues were looking for people to work with in order to produce a new product," the SOM of Batteryco recalled. She then, through her husband's aunt, got into contact with those people and found substantial interest in that new product. From there, an opportunity was gradually created and exploited and turned into "unexpected success", according to the SOM.

Springco's SOM, on the other hand, initially "collected" the ideas from purposeful meetings and discussions with other family members and key employees. As mentioned above, Springco's entrepreneurial processes started from an internal assessment of "what we could supply". This assessment then led to a series of "*jiating yantao*" ("family meetings and discussions"; as described by the retired founder) in order to find a possible breakthrough for the existing business. According to the SOM, the initial idea emerged from such brainstorming meetings and discussions, and subsequently attracted increasing attention from all family members and key employees, who engaged in the discussions. Subsequent activities became more concentrated on this idea and, with the retired founder's support, the

SOM finally decided to proceed with it with the expectation that it would lead to a really valuable opportunity.

Here, the formation of the initial idea was a result of the collective brainstorming within the SOM's family. But in fact, during and between these family meetings and discussions, the individual members spent time collecting relevant information, mostly through their respective external networks, and then brought their feedback to the SOM. Therefore, rather than being at the internal extreme, Springco's source of initial idea was rated 2 as being generally internal, with contributions from the external environment. Likewise, the initial idea of Fabrico's SOM also came into being through a number of internal discussions in the business and the SOM's family. The biggest difference was that these discussions at Fabrico involved more non-family employees than the SOM's family members, because unlike Springco where all management positions were taken by the SOM's family members, Fabrico's management team was composed of long-term loyal employees, most of whom had worked in the business since its founding.

6.1.4 Use of existing resources

This criterion refers to the extent to which the family businesses used existing, or acquired new, resources in the opportunity creation and exploitation processes. The lower the score, the fewer existing resources were used by the business.

No business solely used existing resources to create and exploit an opportunity. Even Fabrico and Springco, both of which scored 5 and relied substantially on their existing resources, still had to gather and organise certain new resources. When Springco upgraded its equipment, for example, it sought funding from the local government. Although its *guanxi* relationship with the local government had long been established before succession, it needed ongoing maintenance and renewal after the key stakeholders in the local government left. Similarly, when Fabrico decided to introduce a new product line, it was in need of

business networks which could provide help not only with the production processes, but also for the market entry. Further, when Fabrico started exporting, it managed to build up *guanxi* relationships with government agencies, such as the customs and the quarantine authorities, in order to "ease into the new field". For both Fabrico and Springco, these new resources were not very difficult to acquire given their existing capabilities, and relations with the external agents.

On the other hand, it is rather unlikely that second-generation family businesses use only newly acquired resources to create and exploit an opportunity. They have to use the existing resources at certain points of time. For example, Batteryco and Carco, the most externally-oriented businesses, still used some existing resources to facilitate their externally-oriented entrepreneurial processes. Although both SOMs of Batteryco and Carco virtually discontinued their respective founders' business and started providing new products and services to new markets by new means, they both admitted that some of their indispensible resources were inherited from the founders. Batteryco's SOM reflected, "The business is hugely different, but it owes much to my father's contribution, including the land and the workshop where my initial production took place." She also acknowledged her father's funding support, which was particularly crucial for the start of her entrepreneurial venturing. Similarly, her counterpart at Carco also used the inherited land and workshop resources to start production of his new product. He further emphasised the importance of the business registration that he succeeded from his father, "To register a private business at that time was not as easy as today, so I simply used my father's business registration for the new business, which saved me a lot of time and energy." Of course, he had to apply for "variation of business" on the registration as the nature of product was different. But still, as the SOM commented, this was much easier than registering a new business.

Thus, all SOMs used existing resources and acquired new resources in order to create and exploit the opportunities, but in different combinations. Also, it is important to examine not only the quantity, but also the quality, of existing resources that they had used. In other words, it was not only how many existing resources were used, but also how important the

existing resources were to the entrepreneurial processes, that decided the score each business received.

6.1.5 Relevance of opportunity to existing business

This criterion compares the nature of the new opportunity relative to the nature of the existing business. The lowest score 1 represents the least relevance, while the highest score 5 indicates a very strong relation between the opportunity and the established business that the SOM inherited from the founder. Here, the least relevance was seen at Batteryco, Carco, and LEDco, all of which created and exploited an opportunity that had very little to do with what their respective founders had been doing. The opportunities that the SOMs of Batteryco and Carco created related to completely different products from their respective founders. And the target markets differed too. Rather than continuing their inherited business, the opportunities in essence required the SOMs to discontinue the existing business so that the SOMs did not have to distribute their scarce resources to "irrelevant" (according to Batteryco's SOM) or "hopeless" (according to Carco's SOM) business.

It was slightly different at LEDco. Here, the SOM originally planned to add a new type of business to what his father passed on to him, namely real estate development and sales, because the established business was very susceptible to shifts in both national and local policies. The SOM described real estate business as "opportunistic" in the present China, "which could help the investors accumulate a large quantity of wealth over a short period of time, but in a long run, the government would surely regulate, most probably contain, its *wild* development which has caused increasing social problems (emphasis by the SOM)". Therefore, the SOM hoped to diversify his business to mitigate, or even avoid, the potential impact from the likely policy changes. The opportunity that he subsequently created, and exploited, was from a different industry which did not overlap with the existing business. In essence, the irrelevance of LEDco's opportunity to the existing business was deliberately designed, in comparison with the cases of Batteryco and Carco.

At the other extreme, Springco's opportunity was essentially created on the basis of the existing business, with the expectation of reinforcing the competitiveness of the existing business. This expectation contributed to justifying the way that the opportunity was created at Springco, which was highly internally-oriented. Similarly, the relevance of Fabrico's opportunity to the existing business was also quite high. The SOM of Fabrico was keen to strengthen the existing business by upgrading its productivity and profitability, which guided her to create an opportunity with reference to the existing business. However, the difference between Springco and Fabrico was that the latter was less deliberate in creating a strong connection between the opportunity and the existing business. In other words, Fabrico's SOM was more open to multiple options in the opportunity creation process as long as these options were relevant to improving the productivity and profitability of the existing business. Thus, Fabrico's opportunity eventually involved an improved product design and adding exporting to its business, rather than merely upgrading the production technology and the equipment, as Springco did.

6.1.6 Relevance of outcome to existing business

Last but not least is the relation between the entrepreneurial outcomes and the existing business. The lowest score 1 stands for the least relevance, while the highest score 5 represents a very strong relation between the outcome and the existing business. One may argue that if the opportunity is closely relevant to existing business, so should be the outcome, and *vice versa*. Findings from this research suggest that this argument is only partially correct, supported by the cases of Batteryco, Carco, Fabrico, and Springco, where the opportunities and outcomes were equally relevant to existing business. However, at the other four businesses, the relevance of entrepreneurial outcomes to existing business was not consistent with the relevance of their opportunities to the existing business.

At LEDco, Pestco, and Spinco, the entrepreneurial outcomes were more relevant to their

existing business than the opportunities. Among others, a critical contributor to such inconsistency was the founders' role in the entrepreneurial processes. A common feature shared by LEDco, Pestco, and Spinco was that the founders left the businesses to the respective SOMs in order to pursue other business opportunities or commitments, and expected the SOMs to maintain the existing business. As discussed in the last chapter, although the SOMs already had significant autonomy or dominance in the businesses, the founders' influence was still evident, especially on strategic decision-making. In terms of resource acquisition and capability development, founders of these three businesses acted as agents in the SOMs' entrepreneurial activities. Their agency facilitated the SOMs' entrepreneurial venturing by providing key assistance at times with regard to external resource acquisition and, more importantly, developing and then transferring necessary capabilities to the SOMs. Consequently, this practice led to 1) the entrepreneurial processes being eased, 2) the SOMs not actually owning some of the new resources and capabilities, but using or borrowing them, and 3) the entrepreneurial outcomes being less differentiated from the existing business.

Ignitco's case was different. Here, the entrepreneurial outcome was slightly less relevant to the existing business than the opportunity. Unlike his counterparts at LEDco, Pestco, and Spinco, the founder of Ignitco was no longer involved in the second-generation business. In fact, the SOM deliberately rejected the founder's ongoing involvement, largely as a result of previous disputes and conflicts between the SOM and the founder. The SOM endeavoured to change the existing business, which he inherited from the founder, presumably because the existing business was a core part of the founder's legacy, which the SOM was reluctant to embrace. Therefore, the less relevance of outcome to existing business was consistent with the SOM's initial motivation.

In sum, this section has examined the opportunity creation and exploitation processes at the eight family businesses, with a review of the nature of their opportunities and outcomes. By using multiple criteria in a scoring system, the differences in the SOMs' attitudes were measured and recorded on an EO-IO scale, with the minimum total score of 5 representing an

external orientation, and the maximum total score of 25 representing the internal orientation (see Table 6.1 and Figure 6.1). These findings are important, not only because they are indicative of the entire entrepreneurial processes, including the outcomes which will be reported in more details in the following section, but also because they enable a comparison with the "familiness" findings, which can be useful for an analysis of the relevance, or irrelevance, of "familiness" to the entrepreneurial processes in second-generation Chinese family businesses.

Table 6.1 *EO-IO score summary*

Criteria Businesses/SOMs	Batteryco	Carco	Fabrico	Ignitco	LEDco	Pestco	Spinco	Springco
Initial motivation/intention	1	2	5	1	4	4	4	5
Source of initial idea	1	1	3	1	2	2	3	4
Use of existing resources	2	2	5	3	4	4	4	5
Relevance of opportunity to existing business	1	1	4	2	1	2	2	4
Relevance of outcome to existing business	1	1	4	1	3	3	3	4
Total	**6**	**7**	**21**	**8**	**14**	**15**	**16**	**22**

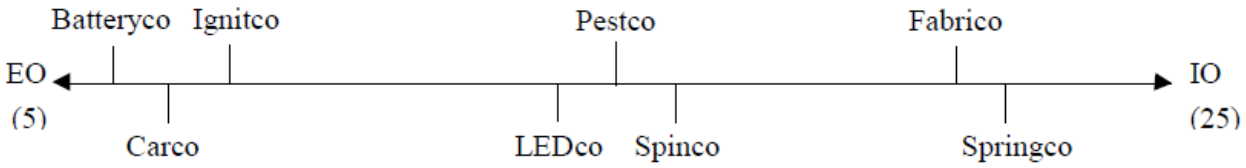

Figure 6.1 Differences in entrepreneurial processes along the EO-IO spectrum

6.2 Innovation as an outcome

As far as entrepreneurial outcomes are concerned, the predominant Schumpeterian innovation approach has been increasingly questioned. There has been a rise in the number

of researchers who argue that innovation should be an important but not necessarily the only outcome of entrepreneurship (e.g., Aldrich & Kenworthy, 1999; Aldrich & Martinez, 2001; Bhave, 1994; Cunningham & Lischeron, 1991). This research embraces such an argument, though it focuses on the innovation as an outcome, because 1) being innovative is usually an efficient and effective way for SMEs to make the most out of their relatively limited resources and capabilities, 2) manufacturing businesses typically have a preference for innovation in order to improve their competitiveness, and 3) innovation was a shared entrepreneurial outcome across the eight family businesses, which provided a common ground on which a cross-case comparison and analysis became possible.

6.2.1 Types of innovation

To help present the innovation outcomes, this research follows the third edition of the Oslo Innovation Manual (OECD/European Communities, 2005), which distinguishes four main types of innovation – product, process, marketing, and organisation.

> *A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses… A process innovation is the implementation of a new or significantly improved production or delivery method… A marking innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing… An organisational innovation is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations.* (OECD/European Communities, 2005, pp. 48-51)[16]

[16] The bench-marking reference for "new" in the Oslo Manual is the business rather than the industry, which this research echoes and applies, although there is a body of literature (e.g., Whittaker *et al.*, 2009) that distinguishes between "novel" innovations which are new to both the business and the industry, and "non-novel" innovations which are new to the business but not the industry.

Table 6.2 depicts the types of innovations that the eight family businesses accomplished as a result of their respective entrepreneurial processes. All introduced new products or services to their existing business, and all accomplished organisational innovations, because organisational changes and improvements were needed to accommodate the other types of innovation, in particular product innovation. Further, most of them were also involved in process and/or marketing innovations.

Table 6.2 *Types of innovation*

Businesses / **Types of innovation**	**Batteryco**	**Carco**	**Fabrico**	**Ignitco**	**LEDco**	**Pestco**	**Spinco**	**Springco**
Product	√	√	√	√	√	√	√	√
Process	√	√			√	√		√
Marketing	√	√	√	√		√	√	
Organisation	√	√	√	√	√	√	√	√

One important implication that Table 6.2 has for this research is that all the eight family businesses were innovative on multiple dimensions, which in turn validated them as being entrepreneurial. However, one may argue that the question about how innovative the family businesses were is only partially answered by this rough quantitative analysis, and that it needs to be supplemented by a qualitative assessment, and on the overall effects of the innovations on the existing businesses.

6.2.2 Continuous, dynamically continuous, and discontinuous innovations

Innovation literature has considered the relation of the innovation to established routines. One reason is that innovation is more practically meaningful in terms of its quality rather than quantity. In other words, instead of how many improvements and changes the

innovation has brought to the established practices, it is the extent to which it has improved or changed the existing business that defines innovativeness (Cole, 2001; McQuarrie & Langmeyer, 1985).

To capture this nature, researchers have generally followed a dichotomous approach, with different terminologies for the dichotomy, such as incremental-radical (Abernathy & Utterback, 1978), incremental-breakthrough (Tushman & Anderson, 1987), or conservative-radical (Abernathy, 1978; Abernathy & Clark, 1985). To emphasise the generational succession feature of family businesses, this research prefers the continuous-discontinuous terminology which has been widely used in the organisational literature (e.g., Porter, 1986; Robertson, 1967).

In one of his pioneering studies, Robertson (1967, p. 15) adds a "dynamically continuous innovation" classification to the conventional continuous-discontinuous dichotomy, which refers to innovations that have "more disruptive effects than a continuous innovation, although it still does not generally alter established patterns … [which] may involve the creation of a new product or the alteration of an existing product".

This supplement has been embraced by subsequent authors (e.g., McQuarrie & Langmeyer, 1985), and is relevant to this research as it provides an extra category to refer to the family businesses whose innovations were neither as disruptive as being discontinuous, nor as coherent as being continuous. These businesses were distinctive from their counterparts at the continuous innovation and the discontinuous innovation poles.

By employing Robertson's (1967) classification of innovation, Figure 6.2 summarises the effects of the innovation outcomes in the eight second-generation family businesses on their respective established, or inherited, business.

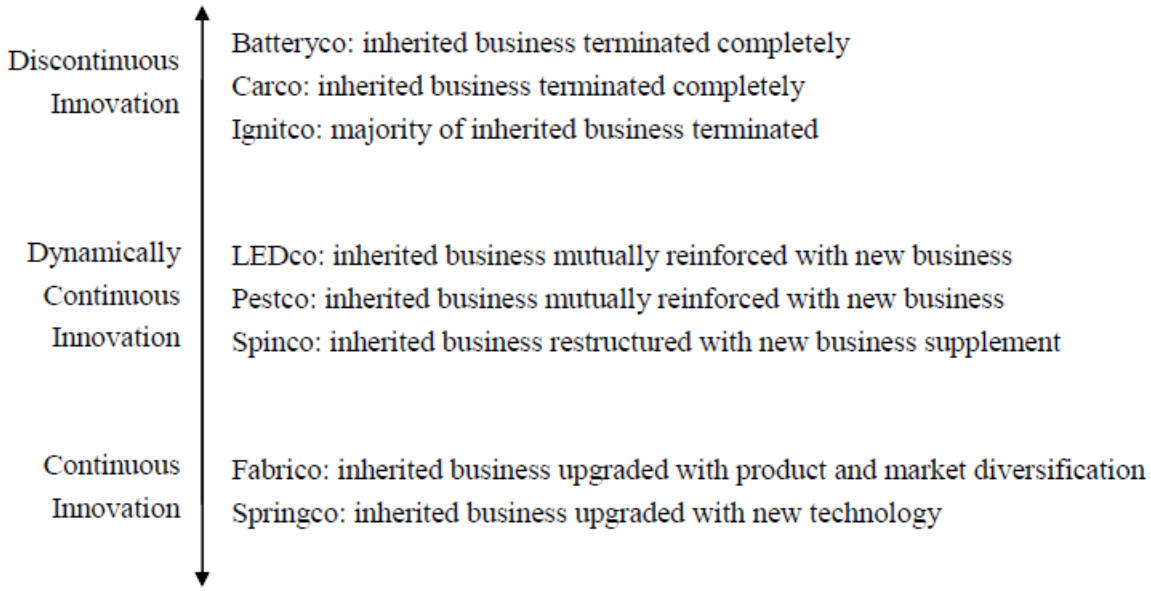

Figure 6.2 Effects of innovation on existing business

Three businesses were located at the discontinuous innovation end, namely Batteryco, Carco, and Ignitco, of which the former two both completely terminated their respective founders' business, and replaced it with new business that they set up through their entrepreneurial processes. As discussed in the last section, their new business had very little to do with what they inherited from the founders. "Strictly speaking," reflected the SOM of Carco, "this business is completely different; the only thing remaining is the land on which my factory was built." The implication was that even his father's workshops had been demolished and replaced with his own. This was equally true with Batteryco, of which the retired founder now could only "pick up some memory fragments by wandering on the site" where everything had changed. Interestingly, both retired founders of Batteryco and Carco claimed that they were enthusiastic to help in their respective SOMs' business, but the businesses and operations had become too different for them to engage with, and their only way to contribute, rather indirectly than directly, was to help take care of the SOMs' minor children.

Still towards the discontinuous innovation pole, Ignitco was slightly different from Batteryco

and Carco. Instead of terminating the entire established business, the SOM of Ignitco retained a small portion of it and aligned it with his new business. It had been a well-functioning part of the previous business, and maintaining it did not have a substantial impact on the new business. In the SOM's view, the preservation of this minor share would not distract his entrepreneurial endeavour in any way, in that the resources it required had long been established. The SOM admitted that the relevance of this retained share to the new business was "quite loose", but given that it rewarded him with a "stable return" and was in need of no extra investment, "it was worth having a place on the new agenda," he said. The cost of retaining a minor but rewarding share of his father's business was marginal, as was the impact that this preservation had on the nature of innovation. Overall, the innovation outcomes at Batteryco, Carco, and Ignitco all involved not only establishment of new products or new business, but also the establishment of substantially, if not completely, new capabilities and behaviour patterns. As a result, their discontinuous effects were evident and verifiable.

Towards the continuous innovation pole were Fabrico and Springco, where innovation outcomes had direct relevance to their existing business, which was strengthened rather than replaced. Both SOMs developed from the business basis that their respective founders had established. Both upgraded their technology and thus improved their productivity. Some researchers (e.g., Cole, 2001) may refer to their outcomes as continuous improvements instead of continuous innovation. But the fact that they both introduced new products and services, in addition to the improvement to the established ones, justifies their outcomes as innovations. Certainly these new products and services were established on a relatively small scale, which did not alter the nature of the inherited businesses. Rather, they appeared more like "icing on the cake" (originally "*jin shang tian hua*" in Chinese by the SOM of Fabrico), which probably changed the look of the "cake" to some extent, but not the nature, and even the essential making, of it. From a behavioural perspective, neither Fabrico nor Springco had changed their business patterns, despite the increase of their productivity and the marginal new products and services.

Last but not least, LEDco, Pestco, and Spinco were the three businesses of which entrepreneurial processes resulted in dynamically continuous innovations. A common feature was that they all established new business operations, by adding new products and services to their existing business categories. In essence, their main differentiation from the discontinuous and continuous innovation categories was that they did not terminate the existing business which was passed on to them by their respective founders, but neither did they just maintain the exiting business. Rather, they adopted a hybrid approach by concurrently advancing the existing business and establishing new business. For example, LEDco's new high-tech manufacturing business supported and reinforced the existing real estate business because the new manufacturing business provided an extra source of capital supply to the existing capital-intensive real estate business, which was "more flexible and reliant than the previous self-maintained sole business model," according to the SOM. On the other hand, the new business establishment mitigated the uncertainty and risks that the real estate business had to bear alone previously. This was very similar to Pestco, in which the newly established services and the long established manufacturing business were mutually reinforcing. Spinco was slightly different. Rather than adding a different type of business, Spinco introduced new products and substantially restructured the business to accommodate the launch and establishment of the new products. The restructuring was neither as significant as to terminate the majority of the established business or change the nature of the business, nor as minor as to retain the entirety of the established business. Across LEDco, Pestco, and Spinco, it was evident that although new business establishments were significant in quantitative terms, their significance was less in a qualitative sense, given that they did not change the established business patterns *per se*, with the partial exception of Spinco.

To sum up, innovation outcomes in the eight family businesses could be categorised into three groups in accordance with not only the types of innovation but also the effects of the innovations on the established businesses. Batteryco, Carco, and Ignitco had accomplished more discontinuous innovations, which enabled them to develop from completely, or nearly completely, new grounds, with little or no relevance to the business that the founders established. The innovation outcomes that Fabrico and Springco had accomplished were

essentially continuous, which substantially reinforced and advanced the existing businesses. Between them were the dynamically continuous innovations accomplished by LEDco, Pestco, and Spinco, which generally retained the established business and in the meantime succeeded in the establishment of new product ranges and new types of business. These findings are interesting, especially in the second-generation family business context. The question naturally arises as to whether these differences are related to the "familiness" of the businesses – a question this research shall explore in the following chapters.

6.3 Chapter summary

This chapter presented findings about entrepreneurial processes and innovations. It generally followed the opportunity approach by investigating the SOMs' attitudes and behaviours in opportunity creation and exploitation, coupled with a review of the nature of the opportunities. Then it focused on the innovations, as entrepreneurial outcomes, and categorised them into discontinuous, dynamically continuous, and continuous innovations by evaluating the effects of the innovations on the existing businesses.

Overall, the findings in this chapter suggest that the SOMs' attitudes and behaviours in the entrepreneurial processes, the nature of the opportunities, and the innovations were strongly interrelated. Firstly, the SOMs' attitudes and behaviours in the entrepreneurial processes, particular in opportunity creation, shed important light on the nature of the opportunities. For example, when the SOM was generally externally-oriented, it was more likely that the opportunity would have less relevance to the existing business, as in the cases of Batteryco and Carco. These SOMs found interesting potential opportunities, which had virtually no relevance to their respective existing businesses, and became passionate to further create an opportunity out of that potential. They had to acquire new resources and develop new capabilities, mostly from the wider environment external to their existing businesses. Secondly, the SOMs' attitudes and behaviours in the entrepreneurial processes had a significant connection with the innovations that the businesses eventually implemented.

The internally-oriented SOMs of Fabrico and Springco, for instance, started from an internal evaluation of the existing resources and capabilities of their businesses. Results of such evaluation were subsequently used as a guideline for their opportunity creation. Normally, when the opportunities were created within the boundaries of the existing resources and capabilities, the innovation outcomes would be continuous to the existing businesses, as in the cases of Fabrico and Springco. Thirdly, the nature of the opportunities had a direct impact on the innovation outcomes. For example, both LEDco and Pestco created opportunities with relatively little relevance to their existing businesses, but the SOMs had to rely on existing resources and capabilities in order to acquire extra resources to exploit the opportunities. The result was dynamically continuous innovations, instead of either discontinuous or continuous innovations.

These interrelations help explain why externally-orientated entrepreneurial processes are more likely to result in discontinuous innovations, and why an internal orientation in the entrepreneurial processes is more relevant to continuous innovations, but that various hybrids also exist in the middle ground. The next chapter will combine and compare the findings on "familiness" and entrepreneurship, and explore the "familiness"-entrepreneurship relationship, particularly "familiness" influences on entrepreneurial processes and innovation in second-generation Chinese family businesses.

7. ABILITY AND MOTIVATION

Following the discussion and analysis of "familiness" and entrepreneurship in the last two chapters, the main task of this chapter will be to explore the relationships between these two sets of empirical data.

To examine the "familiness" influences on entrepreneurship, this chapter starts by relating "familiness" to the entrepreneurial processes, and innovations, of the eight family businesses. There was a preliminary expectation that the multi-dimensional "familiness" would exert considerable, even decisive, influence on entrepreneurial processes and innovations in the family businesses. In a general sense, this expectation is confirmed; nevertheless, it is shown to be a partial rather than a comprehensive influence. Some of the entrepreneurship and innovation findings are unexplainable by the firm-level "familiness" framework. This leads to a review of the "familiness" conceptualisation, and the argument that a supplementary individual-level approach is necessary. The rest of this chapter will then focus on the abilities and motivations of the individual successor owner-managers (SOMs), which made substantial contributions to their attitudes and behaviours in the entrepreneurial processes, hence innovations of different natures.

7.1 "Familiness"-effectiveness and ineffectiveness

In Chapter 5, "familiness" findings from the eight second-generation family businesses were summarised on the three dimensions of business objectives, resources, and decision-making, respectively. The introduction of a scoring system enabled a visualised presentation of the findings along a continuum between the family orientation pole and the market orientation pole (cf., Table 5.1 and Figure 5.1). In a similar sense, attitudinal and behavioural orientations in the entrepreneurial processes of the eight businesses were captured by a set of criteria and presented on a scale between the internal orientation and external orientation poles (cf., Table 6.1 and Figure 6.1), which were relevant to and indicative of the innovation

outcomes at these businesses. These presentations, coupled with the descriptive information reported in the previous chapters, provide the grounds on which analyses, both across and within cases, are feasible. On the one hand, by analysing the two sets of findings, the influences of "familiness" on entrepreneurial processes and innovations can be studied at the firm level and potentially yield evidence of certain patterns of relations. On the other hand, it is possible to look into particular cases for further insights and interpretations, especially when inconsistencies emerge from firm-level examination.

7.1.1 "Familiness" influences

Does "familiness" influence entrepreneurship in second-generation family businesses? If yes, how are the influences exerted? In line with the literature that has repeatedly emphasised the influence of "familiness" on entrepreneurship (Aldrich & Cliff, 2003; Heck, Hoy, Poutziouris & Steier, 2008; Rogoff & Heck, 2003; Zahra, 2005), findings from this research provide further support for such a relationship. In addition, being constructed and investigated on three dimensions, the notion of "familiness" is useful to uncover the way in which entrepreneurial processes and innovations are influenced.

Firstly, the most family-oriented businesses, namely Fabrico and Springco, appeared to take an obvious internal orientation in their entrepreneurial processes, focusing on the existing business and capabilities, which in turn was reflected by their respective innovations being the most continuous of the eight businesses. This is consistent with the "classic" family business literature (e.g., Gallo, 1995; Gudmundson, Hartman & Tower 1999; Harris, Martinez & Ward, 1994; Leenders & Waarts, 2003; Zahra, 2005), which agrees that family orientation is associated with innovation of a less radical nature.[17] Carlock and Ward (2001) further attribute this effect to the "inertia" of family businesses, which is a typical product of the influence of the long-lasting family legacy on the business philosophy (Ward, 1987,

[17] Some scholars refer to it as "lower innovation performance" (Uhlaner, Tan & Meijaard, 2007, p. 3) without an operational measure to distinguish "lower" from "higher", and conclude that family orientation negatively affects innovation performance. This approach is rejected in this research, which examines the different orientations of entrepreneurship and innovation, rather than making judgment on their "quality".

2004). This attribution echoes an earlier proposition (Davis, 1983) that family-oriented businesses attempt to maintain a family paradigm in the business, which leads to resistance to information that does not conform with this paradigm, and hence reluctance to change, or inertia. Collectively, these authors demonstrate that family orientation contributes to the decision-makers' preference for stability and continuity of the business than major changes, which may impact the established business and practices. A review of their "familiness" scores indicates that Fabrico and Springco consistently topped the other businesses on all the three "familiness" dimensions, which explicitly suggests that 1) at both Fabrico and Springco, SOMs' families had high stakes, in both economic and non-economic terms, in the businesses; 2) both businesses had a relatively heavy reliance on the SOMs' family resources; and 3) there was an apparent family dominance in their decision-making processes. These in turn were reflected in their entrepreneurial processes, which were consistently shaped by their family orientation, resulting in continuous innovations that reinforced the existing businesses.

Secondly, businesses with the greatest market orientation, namely LEDco, Pestco, and Spinco, were evidently more externally-oriented in their entrepreneurial processes, which contributed to their innovations being less continuous *vis-à-vis* their respective established businesses, and in comparison with Fabrico and Springco. This finding, in a general sense, supports prior research that advocates a positive effect of market orientation on the organisation's entrepreneurial performance, especially with regard to innovations. For example, in their pioneering studies on the relationship between market orientation and business performance, Kohli and Jaworski (1990) and Jaworski and Kohli (1993) propose that innovation is a defining feature of market orientation. Later, Atuahene-Gima (1996), echoed by Dibrell, Craig and Hansen (2011), conducted an empirical study and submitted that market-oriented organisations are characterised by a greater degree of openness in their innovation activities, which implies a positive relationship between the market orientation of an organisation and the extent to which its innovations are discontinuous. Likewise, Verhees and Meulenberg (2004) focused on product innovation and found that market-oriented small firms were quickly responsive to the newness of the market intelligence that they received, and thus produced innovative products regardless of their

established operations.[18]

At this point, as far as these five businesses are concerned, the "familiness" influences on entrepreneurial processes and innovations seem to conform with the literature on family orientation, market orientation, and innovation. It appears that LEDco, Pestco, and Spinco, where management and operations were much less subject to the SOMs' family factors than at Fabrico and Springco, approached external networks for entrepreneurial opportunities, given that many of their key resources existed outside of the respective SOMs' families. And the fact that the family-oriented businesses of Fabrico and Springco produced much more continuous innovations than their market-oriented counterparts was understandable in light of the substantial interest of the SOMs' families in the businesses. Thus, the logic appears to be neat and simple: "familiness" influences entrepreneurial processes of the family businesses by increasing their internal orientation, and hence produces innovations that are continuous with the existing business.

If this logic were generalisable, then the businesses of Batteryco, Carco, and Ignitco, whose "familiness" scores were neither as close to the family orientation pole as Fabrico or Springco, nor as close to the market orientation pole as LEDco, Pestco, and Spinco, should have been more externally-oriented than Fabrico and Springco, but less than LEDco, Pestco, and Spinco, in their entrepreneurial processes. They should have produced innovations that were more discontinuous than those of Fabrico and Springco on the one hand and more continuous than those of LEDco, Pestco, and Spinco on the other. In fact, however, Batteryco, Carco, and Ignitco were the most externally-oriented businesses in their entrepreneurial processes, producing the most discontinuous innovations. This inconsistency conveys an interesting, and surprising, message: although the most family-oriented businesses implemented the most continuous innovations, the most discontinuous innovations were not necessarily implemented by the most market-oriented family businesses. How can this finding be interpreted? Does it mean that "familiness"

[18] It should be noted that in the research just cited, market orientation is contrasted with organisational or internal orientation rather than family orientation, but the general argument is applicable to an extent.

influences are only part of the story? If so, then what was missing? Pursuing these questions yields important additional insights, both regarding the nature of innovation, and the nature of "familiness".

7.1.2 Questions to be tackled

Thus far, important insights have emerged. On the one hand, the "familiness" framework has reasonably produced the internal orientation that Fabrico and Springco took in their respective entrepreneurial processes and the continuous innovations that they eventually accomplished. Also, in a general sense, "familiness" contributed to interpreting the entrepreneurial processes of the other six businesses, which were less internally-oriented and more externally-oriented, and their innovations were dynamically continuous or discontinuous, in comparison with Fabrico and Springco. On the other hand, the "familiness" framework has been found ineffective, or at least insufficient, to answer a range of questions with respect to the inconsistencies in entrepreneurial processes and innovations of the less family-oriented and more market-oriented businesses.

Why did the most market-oriented businesses, namely LEDco, Pestco, and Spinco, take a less external orientation in their entrepreneurial processes than the relatively more family-oriented businesses of Batteryco, Carco, and Ignitco? And what made Batteryco, Carco, and Ignitco discontinuous innovators? And what made the most market-oriented LEDco, Pestco, and Spinco dynamically continuous innovators? To investigate these questions, we must first delve into the individual dimensions of "familiness".

Comparing "familiness" scores on each individual dimension (see Figure 7.1), it is notable that on the business objectives dimension, these six less family-oriented businesses were quite close to each other, showing a slight inclination to the family side. On the resources dimension, their differences became more visible, where LEDco and Pestco were apparently more independent from the family resources. The most significant differences, however,

existed on the decision-making dimension, where LEDco, Pestco, and Spinco were noticeably less dependent on their respective SOMs' families, than Batteryco, Carco, and Ignitco. Perhaps these imply that it is important to investigate not only the extent to which they were oriented to the family or the market, but also why such orientations came into being. In other words, why did the businesses adopt their respective orientations in their business objectives, resources, and decision-making? Answers to this question might shed light on the understanding of "familiness" of each individual business, and more importantly, they may help to explain the inconsistency between "familiness" of the businesses and their entrepreneurial processes and innovations.

"Familiness" dimensions / Businesses	Springco	Fabrico	Batteryco	Ignitco	Carco	Spinco	Pestco	LEDco
Business objectives (25)	21	19	15	17	17	15	16	15
Resources (25)	24	21	15	14	14	14	11	10
Decision-making (25)	24	20	17	15	14	8	9	8
Total (75)	**69**	**60**	**47**	**46**	**45**	**37**	**36**	**33**

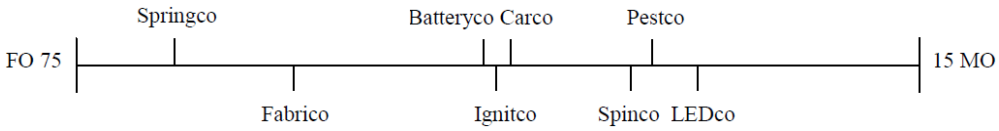

Figure 7.1 Summary of "familiness" scores and FO-MO continuum

To answer the question, we must look into the backgrounds of the businesses, and the SOMs, which will generate insights into the formation of their way of management. Given that the "familiness" framework is conceptualised at the firm level, supplementary investigations at the individual level could add an extra dimension to the analysis.

7.2 An individual-level discussion

To guide the individual-level discussion, the Ability-Motivation-Opportunity (AMO)

framework is employed in a general sense. This framework is a theory of individual performance, widely adopted in the human resource management literature (e.g., Boxall & Purcell, 2003; Collings & Wood, 2009), which notes that an individual's behaviour is directly influenced by his or her motivation and moderated by his or her ability and opportunities at hand. MacInnis and Jaworski (1989) clarify that the extent to which motivation leads to a certain behaviour is influenced by one's ability and the opportunity to participate in the behaviour.

In entrepreneurship studies, alongside the re-emergence of research interest in the entrepreneur's role (cf., Gartner, 1988), the AMO framework has been used to explore why certain entrepreneurs are able and motivated to take certain reactions to certain opportunities (Christensen, Madsen & Peterson, 1994; Davidsson, 1991). In their comparative study of entrepreneurship, Whittaker *et al.* (2009) apply the AMO framework and identify systematic similarities and differences between UK and Japanese entrepreneurs in relation to their abilities and motivations, which are indicative of their respective entrepreneurial processes and innovations, and provide empirical evidence for supporting the view of entrepreneurship as the nexus of the nature of the opportunity and the features of the entrepreneur (Shane, 2003; Shane & Eckhardt, 2003).

In second-generation family businesses, the SOMs' abilities, which provide necessary skills and expertise for their entrepreneurial exploration, are mostly accumulated through the SOMs' previous – usually pre-succession – experiences, including their formal degree or qualification education and work experiences, and as importantly, their family relationships and socialisation, which contribute to not only their abilities to lead the family and the business in general, but also their motivations about how to lead the business in particular (García-Álvarez, López-Sintas & Gonzalvo, 2002). Such experiences also typically contribute to their motivations towards entrepreneurship and innovation, which in turn mobilise their abilities or skills for the creation of entrepreneurial opportunities, either during or after their succession. As held by Whittaker *et al.* (2009, p. 27), "how an entrepreneur engages in opportunity and business creation will depend not just on the nature of the

possible opportunity, but on the entrepreneur's abilities and motivations as well."

As a result of the relatively recent legitimisation of private entrepreneurship in the People's Republic, many Chinese family businesses are still in their first generation or in their transition to the second generation. Since the late 1990s, second-generation family business owner-managers have become an emerging group of private entrepreneurs (Li & Matlay, 2006). However, research on them is not yet systematic. A popular image of new-generation SOMs is that they are well educated and purposefully trained by their founder parents (Chen, Li & Matlay, 2006), but they have little hands-on career experience (Xiang & Teng, 2008). Pistrui, Huang, Oksoy, Jing and Welsch (2001) assert that they are eager to make better use of their knowledge and skills acquired from the pre-succession education and training and highly desirous of distinctive business perspectives from their parents', and hence are more entrepreneurial and innovative.

These reflections are generally related to the SOMs' abilities and motivations, and further linked to entrepreneurship and innovation, although without empirical demonstration. Findings from this research endorse some of these assertions, and cast doubt on others. In general, development of the SOMs' abilities and motivations are much more complicated than the literature has assumed, at least according to findings from this research. Although a neat and conclusive approach to the SOMs' abilities and motivations does not exist, they are typically suggested through the SOMs' backgrounds, such as their prior education and employment, successor training, and their family relationships and socialisation, especially with the founder parents, which exert a subtle but significant influence through time on the SOMs' abilities and motivations.

For an individual-level discussion about the family business SOMs' abilities and motivations, much of which would inevitably relate to the planning, training, and arrangements around succession, the founders' role also needs to be taken into account. Given the dual role that founders of family businesses have in relation to the SOMs, both as predecessors in the

business and parents in the family, founders' influences are of much relevance to the SOMs' abilities and motivations, which in turn have an impact on entrepreneurial and innovative activities in the businesses. Discussion in this section will therefore involve frequent references to the founders, and their interactions with the SOMs, particularly in their respective successor training processes and relationships with the SOMs.

7.2.1 Prior experiences and successor training

In a general sense, this research echoes the literature suggesting that the second-generation entrepreneurs in Chinese family businesses are well educated (Chen *et al.*, 2006). In comparison with their founder parents, the SOMs in this research received far more formal education, ranging from local senior high school to postgraduate studies in the West, and some of them received specialised training and obtained professional qualifications before succession (see Table 7.1).

Table 7.1 *Educational backgrounds*

Businesses	Founder's highest education	SOM's highest education	Nature of business before succession
Batteryco	Junior high school	Vocational qualification in accounting	Machinery manufacturing and catering
Carco	3 years of primary school	Vocational qualification in mechanical engineering	Plastic processing
Fabrico	Junior high school	Senior high School	Textile manufacturing
Ignitco	Junior high school	Senior high school	Machinery manufacturing
LEDco	College	Master in HRM (UK)	Real estate
Pestco	Senior high school	Vocational qualification in chemistry	Chemical manufacturing
Spinco	Junior high school	MBA (UK)	Textile manufacturing
Springco	Senior high school	MBA (North America)	Machinery manufacturing

However, the extent to which these educational backgrounds were deliberately nurtured and

relevant to their management and entrepreneurship-related abilities and motivations is a separate question from the level and type of education that they received. Data from the case interviews suggest that such relevance was generally loose. Rather, in fact it was largely the overall improvement of the nation's education conditions and the social trend that "everyone goes to college" that contributed to the SOMs receiving more formal education than their parents. The remarks of Batteryco's SOM were indicative: "My parents and I did not think too much of what I would learn from the college; everyone continued with further education after school, and I simply followed suit."

Certainly, their education made a contribution to their abilities, but this should not be over-emphasised. Even Pestco's SOM, whose education experience seemed to be the most relevant to the nature of the existing business, reflected that he chose his area of study out of his own interest instead of for the purpose of business succession, and that the contribution of his education to his practical abilities was "no more than familiarisation with some technical jargons".

In addition, this research does not support Pistrui *et al.*'s (2001) observation that many second-generation Chinese private entrepreneurs are educated in the West and return with advanced technology and knowledge which underpin their entrepreneurial performances. All the three Western-educated SOMs reported modest links between their abilities and their postgraduate education received oversees. "Yes, there are links, but not strong," commented the SOM of LEDco. "To me, my three years in the UK were more like an eye-opening life experience; what I learned there was interesting, but doing business in China is different," he said. This view was echoed by his counterparts at both Spinco and Springco, who referred to the link between their education and abilities and motivation as "vague" and "weak", particularly in light of the inapplicability of the "mainstream" Western approaches to Chinese business realities.

In general, rather than contributing to the abilities and motivations of the SOMs, their prior

education experiences mainly served to keep their, and their families', social status and confidence, or as a fulfilment of their personal interests, with limited relevance to the businesses. On the other hand, in comparison with education, their prior career experiences (see Table 7.2) were much more relevant in the development of abilities and accumulation of *practical* skills, and motivations relative to entrepreneurship.

Table 7.2 *Employment backgrounds*

SOM of	External employment		Internal employment	
	Roles	**Main responsibilities**	**Roles**	**Main responsibilities**
Batteryco	----	----	Book-keeper	Book-keeper
Carco	Technician; then assistant MD[1]	Product development and production, external relations coordination	----	----
Fabrico	----	----	Machine operator; then assistant MD	Machine operator; then product development, and staffing and production coordinator
Ignitco	Apprentice; then machine operator	Machine operation	Machine operator; then manager of staffing and sales	Machine operator; then staffing and client relations coordinator
LEDco	Foreign trade practitioner	Client relations development and coordination	Assistant MD	Assisting founder with staffing, and external relations coordination
Pestco	----	----	Technician; then assistant MD	Product development and external relations coordinator
Spinco	----	----	Assistant MD	Assisting founder with sales and production coordination
Springco	Business consultant	Client relations development and coordination	Assistant MD	Assisting founder with staffing and production coordination

Note: 1. MD: managing director

As Table 7.2 indicates, most SOMs had pre-succession work experiences within their respective family businesses. Carco's SOM was an exception. He inherited his father's business without previously working in it. Before their "repatriation" to their respective family businesses, SOMs of Ignitco, LEDco, and Springco also had external work experiences, during which they had accumulated certain preparatory skills, or at least

fundamental knowledge, about business in general, and the local business norms and environment in particular. Here, distinctive succession paths are identifiable from the SOMs' previous employment experiences. And the differences between their successions were indicative of the development and accumulation of each individual SOM's abilities and motivations.

On the one hand, most SOMs were trained by their founders more or less intentionally through previous employment, particularly within their businesses. Those at Fabrico, LEDco, Pestco, Spinco, and Spingco, assisted their respective founders with routine management. Such experiences typically involved familiarisation with the businesses at earlier stages, and gradually led to more specific management authority and particularly an increase of the SOMs' participation in decision-making over time. Given the nature of their internal employment experiences, it was likely that internal employment was, either explicitly or implicitly, an important part of the successor training at these businesses (Dana, 2001). Support for this interpretation came from the interviews with both the SOMs and founders, which revealed that internal employment and responsibilities were purposefully arranged by the founders, or at least as a result of mutual agreement between the SOMs and their respective founder parents.

SOMs of Fabrico and Pestco started working in their family businesses from the start-up phase, which was not necessarily a result of planned successor training. Rather, they both started in front-line positions, mainly because the businesses then were in need of labour, and both of them were naturally trusted and handy employees for their respective father founders. Only with the growth of the businesses and their accumulation of functional experience were both SOMs explicitly considered prospective successors by their respective father founders. They were therefore promoted to management positions, primarily for more management experience and expertise.

Slightly differently, the SOMs of LEDco and Springco had earlier work experiences external

to their respective family businesses, before they were "recalled" by their father founders. There was no evidence that their previous external employment was either arranged by their fathers or oriented to succession of their respective family businesses. But in effect, their previous external work experiences was at least meaningful for developing their business confidence, and equally importantly, providing them with a general understanding of local business settings and practices. Their subsequent management experiences within their respective family businesses appeared to be a result of the founders' succession planning and comprised a core part of their successor training, in a very similar sense to that of the SOMs of Fabrico and Pestco.

Successor training at Spinco did not include an earlier front-line position, and the SOM had no external work experiences. Instead, he started as assistant to his father directly after he returned from education overseas. The interviews and observations at Spinco revealed that the SOM was notably assisted and supported, especially in terms of technology and routine operations, by his father's veterans who had worked in the business since its founding and were key advisors to the SOM after succession. This could be a result of the considerations, or the combination of the considerations, that 1) the business had been established and was not in need of extra labour from the owning family; 2) the founder had sound trust in his long-term employees who could provide ongoing technological and management assistance to the SOM; 3) the SOM was not interested in, or capable of, front-line technological functions. These arrangements certainly affected the SOM's abilities and motivations. It was likely that the SOM would be habitually reliant on his advisors, or management team, for business operations, especially at the strategic level. Indeed, these arrangements could have stimulated the SOM's motivation for more independent and entrepreneurial activities if he had an aggressive personality. However, this was not true with Spinco, when the SOM remarked, "I am my father's only son and was by default the sole candidate to lead the business of my family."

A common point of these five SOMs was that their successions were more or less planned, or programmed, with purposeful in-service training in place. The effects of such planning and

training on the SOMs' abilities and motivations were notable. First, the SOMs developed and accumulated knowledge and skills over time, which were necessary for the continuous development of their respective existing businesses. Even for those who had developed abilities with less relevance to the existing businesses through their previous external employment, such abilities were channelled into "desirable" abilities for the existing family businesses through subsequent in-service succession training, which was usually founder-dominated. Second, when the successor was designated, the planned successor training appeared to contain or restrict the successor's motivation for changes. These five SOMs had on average modest motivation for change, because 1) they were not in immediate need of entrepreneurial, or innovative, results to enable or secure their leadership as successors; 2) their existing businesses had already been able to yield satisfactory returns, and it was relatively easier and less risky to maintain, and develop from, the stable business base than venturing into radical changes; and 3) through the succession training, the founders' business ideology had gradually influenced the value orientations of the SOMs, who in turn embraced the first-generation legacy and prioritised continuous growth rather than radical changes.

In the meantime, at Batteryco, Carco, and Ignitco, the SOMs' previous employment experiences, which were less pertinent to their subsequent successions, contributed to abilities that were less relevant to their existing businesses on the one hand, and motivations for radical adventures on the other. Carco's SOM, for example, did not work under the founder's leadership before succession, primarily because he had been deemed by neither the founder nor himself to be a prospective successor. His elder brother, who had worked with the founder since the business founding, was the "natural and sole" candidate. In effect, this agreement had freed the SOM from potential obligations to the family business, and enabled him to choose his own career path independently from the founder's arrangement. As a result, his previous employment external to the family business was more relevant to his education qualification, and probably his personal interest. Similarly, Batteryco's SOM had not been considered a prospective successor by her founder father, either. Although she had worked in the business for many years after she completed her education, this experience was not part of Batteryco's successor training, and her role in the business had simply been as an

ordinary book-keeper, essentially free from management or decision-making responsibilities. Just like her counterpart at Carco, being excluded from programmed successor training gave her more freedom in the development of her business abilities and skills, with little intervention or pressure from the founder. Realistically, the relevance of these abilities and skills to the existing business was fairly loose.

The SOM of Ignitco was not designated as the prospective successor, either. But differently from his counterparts at Batteryco and Carco, neither of whom had ever been considered a prospective successor or received successor training, Ignitco's SOM was excluded from his father founder's succession planning halfway through his in-service successor training. This experience had at least two important effects on his abilities. First, alongside his younger brother, he had been a successor candidate and received successor training, at both functional and management levels, which contributed to at least part of his abilities and skills being developed with reference to the existing business. Second, after his younger brother was chosen as the designated successor, he started to have more autonomy in his own skill development, in the light of the dissolution of the founder's supervision and restriction. In the meantime, he became increasingly motivated to lead the business, not just as he accumulated skills and confidence from previous employment and successor training, but particularly after he was aware of the termination of his successor candidature, which he had never expected. He attributed his failure in the competition to his brother's "blind obedience" and his own "sensible disobedience" to the founder. The SOM was obviously unconvinced of his father's decision, which had a direct impact on his heightened motivation not only to take over and lead the business, but also to drive it into a different direction from the founder's.

On reflection, as far as the SOMs' previous employment and successor training are concerned, it appears that an unplanned succession, where founder-dominated successor training was absent or incomplete, was more likely to result in the SOMs' development of different types of abilities from what the existing business needed and sought. In terms of motivation, it also appears that the founder-designated SOMs were less motivated for radical

changes than the self-initiated SOMs, who did not have, or refused to have, a high stake in the existing business. Another critical implication of the SOMs' previous experiences is the significant influence of the SOMs' families, particularly the relationships between the SOMs and their respective founder parents, which had a strong influence on the SOMs' abilities and particularly motivations in relation to entrepreneurship and innovation. The combination of these insights highlights the importance of an individual-level examination of the SOMs' relationship and socialisation with the founders, and their influences on the SOMs' abilities and motivations.

7.2.2 Intergenerational relationship and founder's involvement

A distinctive characteristic of small family businesses, where management is not separated from ownership, is the interplay between two types of organisation – the business and the family. In other words, the business management and operations are frequently subject to, as well as exert influence on, the dynamics of the owner-manager's family. Between the two types of organisation are the owner-managers, who typically connect their business management and operations with their family dynamics (Davis, 1983). This is particularly relevant to this research, which is committed to exploring the impacts of family dynamics on the entrepreneurial processes and innovation outcomes in second-generation family businesses. It appears that differences between individual SOMs' abilities and motivations contributed to the divergence in entrepreneurial processes and innovations across the businesses. Here, how able and motivated the SOMs were to change their businesses was notably linked to their family dynamics, especially the founder-related factors, ranging from succession planning and successor training through more intangible and gradual processes, such as the founder-SOM relationships, both before and after succession (Cadieux, 2007; García-Álvarez *et al.*, 2002; Lee, 2006), to outright hostility.

Empirical data from this research provides evidence of the importance of the founder-SOM relationships for the SOMs' abilities and motivations, and in turn the entrepreneurial

processes and innovations of the second-generation family businesses. Practically, the founder-SOM relationships also reflect the founder's engagement in the business after succession (Cadieux, 2007; Venter, Boshoff & Maas, 2005). The underpinning assumption is that coherent socialisations and friendly relationships were likely to result in the founder's direct engagement, or legacy, in the businesses after succession (García-Álvarez *et al.*, 2002; Lee, 2006), which in turn restricted the SOMs' abilities and motivations in relation to entrepreneurship and innovation. Figure 7.2 summarises the founders' involvement, or the lack of it, in the second-generation family businesses after succession, as well as the SOMs' responses.

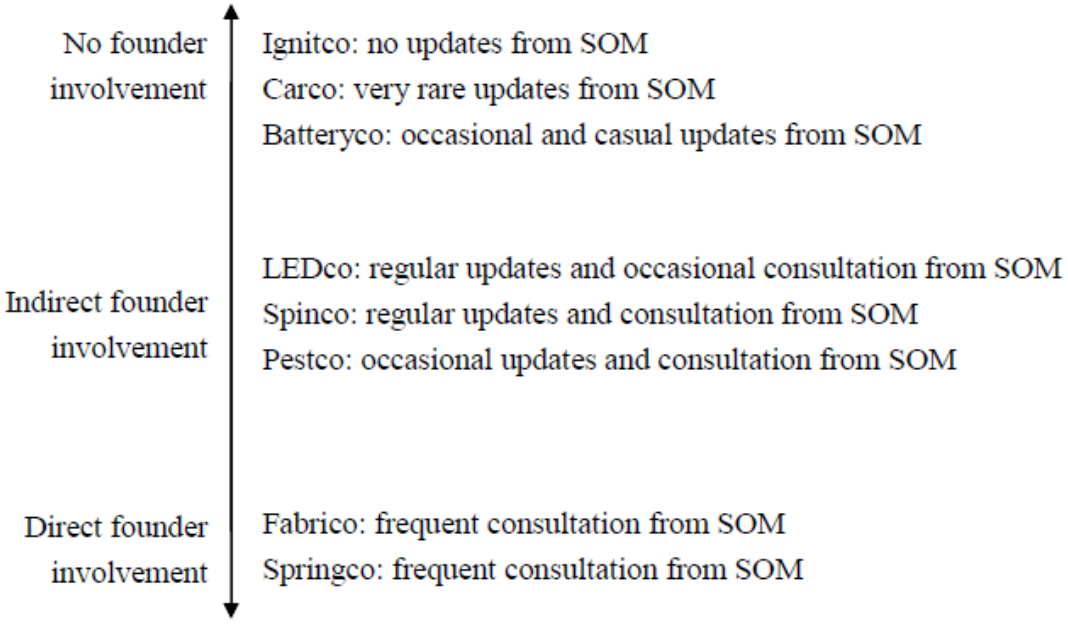

Figure 7.2 Founders' involvement in the businesses after succession

Next, by comparing findings about the founders' involvement with the opportunity and innovation data (cf., Figures 6.1 and 6.2), we can see that the most externally-oriented SOMs, who implemented discontinuous innovations, namely the SOMs of Batteryco, Carco, and Ignitco, had the least collaborative relationships with their founders, and their founders were no longer engaged in the businesses after succession, either directly in person or indirectly through agents such as long-term veteran employees or managers. Towards the other end,

the most internally-oriented SOMs, who implemented continuous innovations, namely the SOMs of Fabrico and Springco, had the friendliest relationships with the founders, and the founders had significant ongoing involvement in the businesses after succession, particularly in the decision-making processes. Between them, the dynamically continuous innovators – SOMs of LEDco, Pestco, and Spinco – maintained friendly and collaborative relationships with their founders, whose engagement in the businesses after succession remained indirect but regular, typically through loyal veteran agents.

One may argue that founders' involvement in the businesses after succession renders ongoing support to the SOMs' leadership and ensures the continued profitability of the businesses (Lee, 2006; Morris & Craig, 2010; Venter *et al.*, 2005). This argument is plausible in that founders are usually more effective when deploying existing resources, and in this sense, the SOMs' leadership is supported and hence business profitability is maintained. On the other hand, founders' involvement could subtly undermine the SOMs' autonomy and independence, and business leadership (Cadieux, 2007). The SOM's abilities and motivations could particularly be hindered when founders' ongoing involvement exerts a direct influence on the SOMs' decision-making. Certainly, the founders' ongoing involvement in, or withdrawal from, the businesses was not determined by a single rationale, but a set of factors in relation to both the founders and the SOMs, including the founders' energy levels and (in)adaptability to a retirement lifestyle (Beck, Janssens, Debruyne & Lommelen, 2011; Sharma, Chrisman & Chua, 2003), as well as the SOMs' inability or habitual reliance on the founders (Venter *et al.*, 2005). Going back to the interviews, the effects of the founder-SOM relationships on the SOMs' abilities and motivations, and the founders' ongoing involvement in, or retreat from, the businesses, were critical (cf., Lee, 2006; see also García-Álvarez *et al.*, 2002).

The SOMs tended to be more aggressive and radical when they had less friendly relationships with the founders. At Ignitco, for example, the SOM and founder previously had numerous disputes over the business. These disputes sprouted when the SOM commenced his management roles in the business, and gradually expanded from the business

domain to the family domain as the business started declining under the founder's "dictatorship", and eventually reached the "ignition point" when the founder deposed the SOM as the designated successor. The SOM was therefore irritated and stimulated not only to take over the business, which he thought nobody else deserved, but also to "essentially change it". How essentially he could in fact change the business was still subject to his abilities and the nature of the potential opportunity that he subsequently recognised, but it was at least safe to say that his poor relationship with the founder had stimulated his motivation for a radical change. Intergenerational tension ruled out any likelihood of the founder's ongoing involvement in the business after succession, which in turn allowed the SOM to develop the business based on his own will.

The other two discontinuous innovators, SOMs of Batteryco and Carco, were less hostile to their respective founders. Rather, they were both able to maintain a relatively cordial "family relationship" with their founders, but in the meantime, the "business relationship" was estranged and indifferent (cf., García-Álvarez *et al.*, 2002, p. 198). Unlike their counterpart at Ignitco, neither Batteryco's SOM, as a daughter of the founder, nor Carco's SOM, as the second son in the family, had been trained as a prospective successor. As mentioned above, both had scant intention to inherit their fathers' businesses. Such lack of willingness had prevented them from critical involvement in their founders' businesses. Disputes with their founders had not surfaced, until their motivations emerged and grew with increased business abilities and confidence, which were developed and accumulated with little reference to the existing businesses, and particularly when the performances of the existing businesses started to slide. The deterioration of the businesses affected the well-being of both families and undermined the stability of their family relationships, particularly when both SOMs' suggestions were repeatedly underrated and rejected by the respective founders. Successions at Batteryco and Carco took place when the existing businesses were shrinking and the balance of the founder-SOM relationships gradually lost. The SOMs became more aggressive and their fathers finally gave in. Similarly to Ignitco, the founders of Batteryco and Carco ceased involvement in the businesses after succession. The difference was that Ignitco's founder was excluded from the business by his son, while his counterparts at Batteryco and Carco stepped aside from the businesses of their own

accord, but under the SOMs' pressure. To use a metaphor, succession at Ignitco was more like a French Revolution, while at Batteryco and Carco it was more like a Glorious Revolution.

The SOMs of LEDco, Pestco, and Spinco were not "revolutionaries" with respect to their founders, but dynamic "reformers". Their relationships with the founders were much more engaged. On the one hand, all of them had been designated as the only successor candidates in their respective businesses long before succession, and they received planned in-service successor training from the founders. These concrete arrangements removed succession-related uncertainty between the SOMs and the founders, and helped both parties establish and maintain a stable business relationship over time. On the other hand, stability of the existing businesses produced no rationale for either party to change the static equilibrium of the founder-SOM relationships. Successions at these three businesses took place when 1) the founders were assured of the SOMs' readiness; 2) the SOMs adapted to the existing business practices and were assured of the founders' ongoing support; and 3) the founders started pursuing other business,[19] which substantially distracted them from the existing businesses. For the founders, to have loyal agents in the businesses was effective for "providing necessary assistance" for the SOMs; for the SOMs, keeping the founders in the loop helped ensure the business foundations, which would mitigate the risks in their entrepreneurial adventures. Overall, founder-SOM relationships of this nature contributed to the ongoing stability of the existing businesses, and in the meantime allowed the SOMs to develop extra abilities and motivations to venture into new fields of business.

The SOMs of Fabrico and Springco were more like incremental "promoters" to their respective founders. Their relationships with the founders were not only harmoniously stable, but also virtually inseparable. Like their counterparts at LEDco, Pestco, and Spinco, these two SOMs had been the only designated successors and received in-service successor

[19] LEDco's founder was appointed a member of the local People's Congress, and found himself tied up with "bureaucratic but rewarding" activities; Spinco's founder started an investment company with other shareholders and concentrated on that business, which was demanding; Pestco's founder was engaged in philanthropy through a foundation he set up.

training. Also, both existing businesses were stable and free of immediate threats to their survival. These features contributed to a relatively steady base on which the intergenerational relationships were built. Out of the stability of the businesses, the SOMs were generally comfortable with their founders' way of doing business, and recognised the benefit of maintaining such stability, to both their families and themselves. They realised that the founders' ongoing involvement was critical for the ongoing stability of the businesses, in that the founders were in a better position to secure key resources, which were needed for the existing businesses. On the other hand, unlike the founders of LEDco, Pestco, and Spinco, founders of Fabrico and Springco had no "other business" to pursue, which contributed to their inadaptability to retirement and hence "active aging". The founders' surplus energy was therefore welcomed by the SOMs, who accepted the relatively direct involvement of the founders in the businesses after succession.

To sum up, the founder-SOM relationships and founders' ongoing involvement in the post-succession businesses were interrelated, and indicative of the SOMs' development and accumulation of abilities and motivations, particularly in relation to entrepreneurship and innovation. Findings from the eight family businesses suggest that in general, friendly intergenerational relationships were more likely to result in the SOMs' recognition of, and emphasis on, the existing business, and hence acceptance of or preference for the founders' involvement in the businesses after succession. However, the SOMs' abilities and motivations for changes increased when the founder-SOM relationships were disagreeable or estranged, and the likelihood for founders' ongoing involvement naturally decreased, which in turn provided the SOMs with freedom so that they were able to develop abilities and motivations in accordance with their own interests, resulting in more discontinuous innovations.

7.3 Chapter summary

Is "familiness" a sufficient construct to interpret the differences between entrepreneurial

processes and innovations of second-general Chinese family businesses? Were there any other crucial factors that contributed to these differences? And how did these factors influence the entrepreneurial processes and innovations of the businesses? These are the questions that this chapter has mainly endeavoured to answer.

First, the "familiness" and entrepreneurship findings were compared, at the firm level. The results indicated both consistencies and inconsistencies between the two sets of findings. On the one hand, businesses with greater family orientation tended to be more internally-oriented when they were engaged in opportunity creation and exploitation, and were more likely to produce continuous innovations, which reinforced their existing capabilities. To interpret this relationship, the multi-dimensional "familiness" framework was broadly effective. On the other hand, the most market-oriented businesses were not the most externally-oriented opportunity creators and exploiters, nor did they produce the most discontinuous innovations. Surprisingly, those with a hybrid combination of family orientation and market orientation were more externally-oriented in their entrepreneurial processes, and implemented discontinuous innovations. To this extent, the "familiness" framework lacked explanatory power.

Second, a review of the "familiness" conceptualisation and the case interview data revealed the necessity of a supplementary individual-level examination, which provided extra insights and added value for the firm-level analysis. Given the importance of the entrepreneur's abilities and motivations to entrepreneurship, an AMO framework was employed to guide the discussions at the individual level. Empirical data about the SOMs' backgrounds, successor designation and training, founder-SOM relationships, and founders' ongoing involvement were examined, which yielded systematic implications about the SOMs' abilities and motivations to change the businesses. These findings are meaningful for understanding the diverse patterns of entrepreneurial processes and innovations in the second-generation Chinese family businesses. They also shed light on the partial effectiveness of the "familiness" framework. Across the businesses, individual abilities, motivations, attitudes, and behaviours were different between the eight SOMs; within individual businesses, they

were also different between the SOMs and their respective founders. Therefore, there was potentially a gap between the second-generation “familiness” and the first-generation “familiness”. The larger the intergenerational “familiness” gap was, the more it seemed that the SOM tried to change the business.

8. DISCUSSION AND CONCLUSION

The "familiness" and entrepreneurship findings from the eight family businesses were presented in the last three chapters. Both consistencies and inconsistencies were found between the two sets of findings. Although the firm-level "familiness" framework was effective to interpret the consistencies, it lacked explanatory power for the inconsistencies. An additional individual-level dimension was therefore proposed in order to reconcile and rationalise the findings, particularly with regard to the inconsistencies. The individual-level investigation was generally guided by an Ability-Motivation-Opportunity (AMO) approach and generated supplementary insights, which, combined with the firm-level findings from earlier chapters, are potentially indicative of systematic patterns of entrepreneurship and innovation in the second-generation Chinese family businesses.

This concluding chapter reviews and discusses the conceptual and empirical work from the previous chapters. By referring to relevant literature on which this research draws, and to which this research contributes, critical implications are summarised, and a dual-level approach is proposed for research of a similar nature, as well as a future research agenda. In addition, the entire research will be reviewed and concluded, with both contributions and limitations being summarised.

The organisation of this chapter is as follows. In the first section, the notion of "familiness" and the empirical findings of its influence on entrepreneurship in the second-generation Chinese family businesses will be summarised and reviewed. Discussion will focus on the nuances of the multi-dimensional notion of "familiness" and its effects on the three patterns of entrepreneurial processes and innovation which this research reveals. Implications for both family business and entrepreneurship research will be highlighted, and a dual-level approach suggested for the literature on entrepreneurship in family businesses. The second section will summarise the contributions and limitations of this research, from conceptual, theoretical, managerial, practical, and methodological perspectives. The final section

comprises the concluding remarks, which wraps up the entire research with a potential research agenda in the future.

8.1 Review and discussion

The initial objective of this research was to promote the combination and evolution of family business and entrepreneurship studies. By conceptualising and operationalising the notion of "familiness" and investigating how "familiness" influences entrepreneurial processes and innovation outcomes in the second-generation Chinese family businesses, it was expected that conceptual, empirical, and perhaps methodological, contributions would be made to the literature. Up to this point, a number of important insights have been generated. Different patterns of entrepreneurial behaviours and their relationship with "familiness" in second-generation Chinese family businesses have become identifiable. Potentially, a dual-level approach to investigating and analysing the effect of being a family business on being entrepreneurial and innovative has emerged. This section reviews both conceptual and empirical insights generated from previous chapters by referring to relevant literature. Such reflection and discussion not only renders support to recent developments in both family business and entrepreneurship studies, but also indicates critical implications for research of a similar nature, as well as for a future research agenda.

8.1.1 The notion of "familiness"

Underpinning this research is the conceptualisation and operationalisation of the notion of "familiness", which has enabled the measurement of the family attributes of a given business, or simply how "family" a given business is. This in turn contributes to the differentiation, and the interpretation, of entrepreneurship patterns in family businesses, as to answer the question of how family businesses differ in their entrepreneurial processes as well as outcomes.

Although “familiness” is not a new notion, and many researchers have referred to it and applied it for a variety of purposes in prior studies, it has by and large remained a conceptual term, rather than an operational concept which can be used to yield rich empirical data for a better understanding of the nature of family business. The operationalised three-dimensional “familiness” framework has proved effective in general, and potentially advances and enriches our knowledge of family business as a context for entrepreneurship. The empirical work in this research has confirmed that the three-dimensional conceptualisation of “familiness” is functional and feasible, and implications are relevant to both family business and entrepreneurship literature.

Firstly, the “familiness” concept suggests that family businesses, in spite of common features that entitle them to use the adjective “family” (Gersick, Davis, Hampton & Lansberg, 1997), can vary significantly, which enables subdivision into different categories. The view that family businesses are not homogeneous (Gudmundson, Hartman & Tower, 1999; Reid, Dunn, Cromie & Adams, 1999) is supported, with “familiness” results showing that researchers need to be more cautious when they attempt to study family businesses as a collective form of economic entity. The argument for unique competitive advantages in family businesses (Habbershon & Williams, 1999) and the claim that family businesses substantially outperform non-family businesses (Habbershon, Williams & MacMillan, 2003; Tokarczyk, Hansen, Green & Down, 2007) become suspect, in the absence of a realistic and comprehensive view on the family business essence (cf., Chrisman, Chua & Sharma, 2005).

Since family business became increasingly attractive to researchers, and was eventually recognised as a separate academic discipline in the 1990s (Bird, Welsh, Astrachan & Pistrui, 2002), there has been a stream of literature investigating why family businesses exist (Chrisman, Chua & Steier, 2003). One proposition that has received much attention is associated with Habbershon *et al.*’s (2003) notion of “familiness”, which is based on the resource-based view of the firm (RBV), asserting that the interaction between the family system the business system generates an idiosyncratic bundle of firm-level resources and capabilities for family businesses, which in turn result in competitive advantages and lead to

superior performance of these businesses. This view suggests that family businesses are unique in their resources and capabilities, and this uniqueness ensures the sustained success of family businesses. This research, however, shows that even if such uniqueness exists across family businesses, it does not necessarily result in outcomes of the same nature. For example, the businesses of Carco, Ignitco, and Spinco received the same scores for the "familiness" dimension of resources, which implies that they had very similar bundles of resources from the interaction of their family and business systems. Based on Habbershon *et al.* (2003), these three businesses should most possibly have had substantial homogeneity and thus achieved similar types and levels of performance. However, Carco and Ignitco took an obviously different approach from that of Spinco in their entrepreneurial processes, and differed from Spinco in terms of the type of innovation that they produced. This suggests that the RBV notion of "familiness" has simplified the attributes of family businesses, and may have neglected important dimensions of such attributes.

Secondly, in line with the last point, the "familiness" inquiry in this research amplifies the importance of including multiple operational dimensions in the framework of "familiness" in order to reflect and capture the real essence of family business (Chrisman *et al.*, 2005). As Sharma (2008) argues, and as echoed by Rutherford, Kuratko and Holt (2008), researchers need to clearly state their purpose of research and therefore carefully construct the notion of "familiness" by justifying the components that they include as "familiness". Habbershon and Williams (1999), who first coined the term "familiness", did not define the notion in an operational manner. Their framework draws on the RBV and solely emphasises family resources and capabilities, which the authors failed to specify in their work, resulting in an oversight of other attributes that are significantly associated with family businesses, such as business objectives and decision-making. The RBV notion of "familiness" has limited applicability to entrepreneurship research, because entrepreneurial activities are not solely dependent on resources, but significantly influenced by the way that the entrepreneur, or the entrepreneurial team, acquires and deploys the resources for a favourable outcome. This research, particularly through the "familiness" scores, endorses the importance of family resources as a necessary condition for a family business and its entrepreneurial activities, and rejects them as a sufficient condition that defines a family business (cf., Arregle, Hitt, Sirmon

& Very, 2007; Pearson, Carr & Shaw, 2008; Sharma, 2008).

To investigate the influence of family attributes on entrepreneurial processes in second-generation Chinese family businesses, this research deliberately selected three dimensions for the conceptualisation of the notion of "familiness", namely business objectives, resources, and decision-making. The business objectives dimension mainly contributes to explaining why the business exists as a family, or otherwise non-family, business; the resources dimension reveals what the business has to build on its capabilities and to pursue its business objectives; and the decision-making dimension adds a behavioural perspective to the notion of "familiness", demonstrating how the business objectives are pursued, and the resources deployed. These three complementary dimensions constitute a reasonably comprehensive notion of "familiness", which can be operationalised when the family influence on entrepreneurship is studied.

The importance of the entirety of the three dimensions is highlighted through the empirical work in this research, which yielded interesting insights about the second-generation Chinese family businesses. A review of the "familiness" scores indicates that the eight family businesses differed not only in their resources, but also in their business objectives and decision-making. For example, the dimension on which the businesses differed most was decision-making, and the least different dimension was business objectives. This suggests that these second-generation Chinese family businesses were generally alike in that they were all keen to keep their businesses under the families' control. But their differences on the resources dimension, and particularly in relation to the decision-making behaviours, offset the likeness in their business objectives, and differentiated them between a relative family orientation and a market orientation. Empirical work on "familiness" suggests that emphasising certain dimension(s) may lead to an understanding of "familiness" which is partial. Thus, the criticism on the lack of specificity and operability of previous "familiness" conceptualisations, particularly those based on the RBV model, and the rationale for a comprehensive multi-dimensional "familiness" framework, is supported by empirical evidence from this research.

8.1.2 Family orientation, market orientation, and entrepreneurship

Findings from the empirical chapters revealed three distinctive patterns of relationship between "familiness" and entrepreneurship (see Figure 8.1). In the first pattern were the three businesses of LEDco, Pestco, and Spinco, which received the lowest "familiness" scores; they comprised the least family-oriented and most market-oriented group. Their entrepreneurial activities were initially triggered by the perception that major changes were needed for the businesses to sustain and strengthen their market performance. Based on this perception, the entrepreneurial opportunity creation and exploitation processes were generally oriented by factors both internal and external to the existing businesses, which resulted in dynamically continuous innovations.

The second pattern was evident in the three businesses of Batteryco, Carco, and Ignitco. They each received modest "familiness" scores, which indicated a hybrid combination of market orientation and family orientation in their business management and operations. An external orientation was identifiable from their entrepreneurial processes. The initial motive for the entrepreneurial innovation was to significantly change, or even completely replace, the existing businesses with "something more promising". And the opportunity creation and exploitation activities were closely guided by the thinking of "what is promising" regardless of the existing businesses, which led to implementation of discontinuous innovations and radical changes in these businesses. Existing capabilities, which were developed in the first generation, were mostly replaced by new capabilities.

The most family-oriented businesses of Fabrico and Springco made up the third pattern. They both received very high "familiness" scores, indicating that there was a dominant family presence in their business objectives, resources, and decision-making. On the other hand, entrepreneurial processes in Fabrico and Springco were typically oriented by internal factors of existing businesses. Central to their actions and reactions in the entire

opportunity creation and exploitation processes was the intention to strengthen the existing businesses and enhance existing capabilities. Such attitudes and behaviours were consistent with their continuous innovations, which were mostly relevant to the existing businesses.

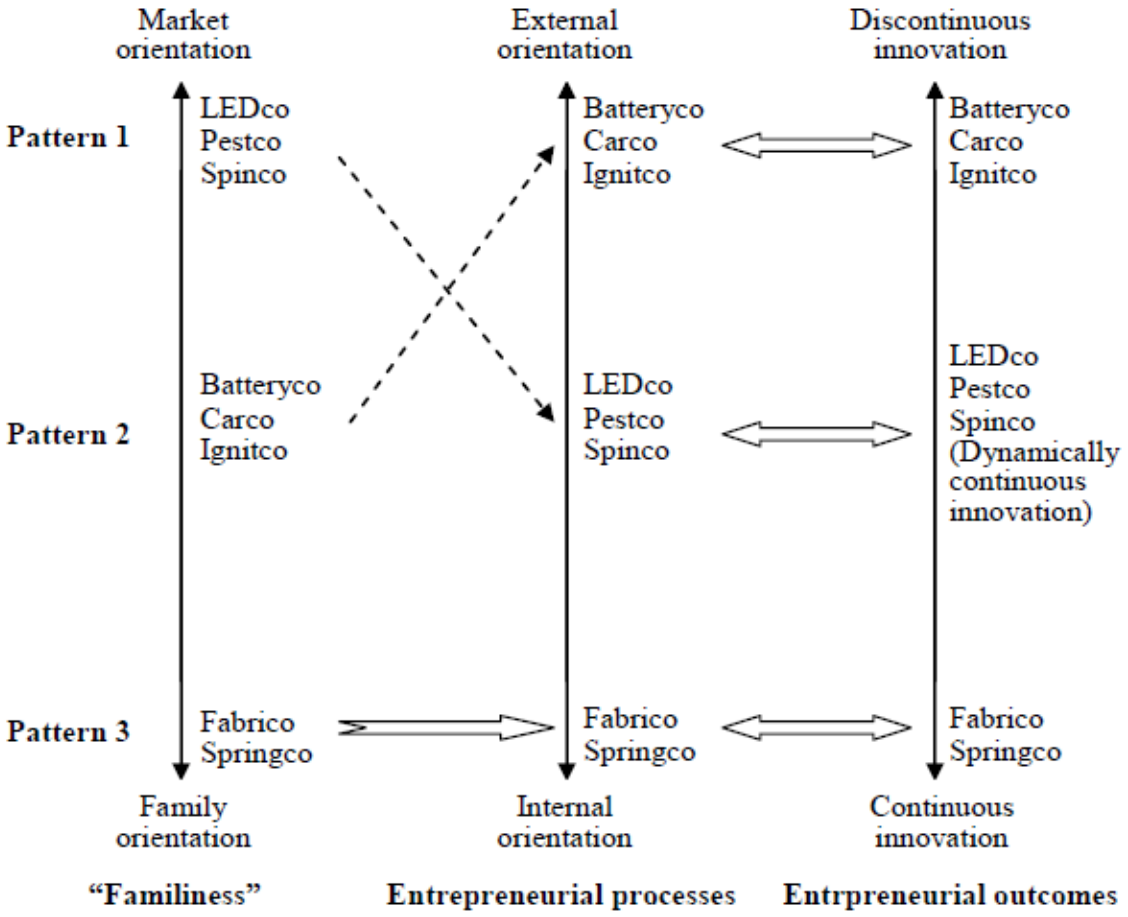

Figure 8.1 The three patterns of "familiness"-entrepreneurship relationship

Overall, these findings show that as far as entrepreneurship is concerned, family businesses which take more of a market orientation and less of a family orientation in their management and operations are more likely to depart from the existing businesses for an entrepreneurial opportunity, and thus implement dynamically continuous, or even discontinuous, innovations. Conversely, it appears that internally-oriented entrepreneurial processes and continuous innovations are favoured in businesses with a greater family orientation.

Compared with the most family-oriented and least market-orientated businesses of Fabrico and Springco in Pattern 3, the six businesses in Patterns 1 and 2, with a greater market orientation in their management and operations, were obviously more willing to venture into unfamiliar, or at least less familiar, business areas and bear the risks and uncertainties. In a general sense, this supports prior empirical research, which contends that the firm's degree of market orientation is positively associated with outward-oriented entrepreneurial behaviours (Dibrell, Craig & Hansen, 2010; Gudmundson *et al.*, 1999; Kohli & Jaworski, 1990) and radical innovations (Beck, Janssens, Debruyne & Lommelen, 2011; Bennett & Cooper, 1981). The literature has documented that the adoption of a market orientation in family businesses can effectively offset inertia and resistance to change (Carlock & Ward, 2001; Ward, 1987; 2004), and increase openness and alertness to potential opportunities of an unfamiliar type (Atuahene-Gima, 1996; Jaworski & Kohli, 1993; Kohli & Jaworski, 1990). Family orientation, on the other hand, is linked with entrepreneurial processes of an incremental nature and continuous innovations (Gallo, 1995; Harris, Martinez & Ward, 1994; Leenders & Waarts, 2003; Zahra, 2005).

However, empirical findings from this research also suggest that family orientation and market orientation, respectively, are only necessary, rather than sufficient, conditions for radical and incremental entrepreneurial behaviours, and discontinuous and continuous innovations. There are certain circumstances on which "familiness" is contingent, that influence the entrepreneurial processes and outcomes in the second-generation Chinese family businesses. With reference to Patterns 1 and 2 in Figure 8.1, the broken arrows between the "familiness" and entrepreneurial processes scales indicate that the businesses inclining towards the market orientation pole were neither the most radical entrepreneurial players nor the most discontinuous innovators. Rather, their entrepreneurial activities were primarily taken to strengthen the existing businesses and established capabilities, by frequently referring to means that were external to the existing businesses. In Pattern 2, while the three businesses equally emphasised the family and the market in their business strategies and management, they tended to approach their respective entrepreneurial opportunities in a more open and radical manner. As a result, their existing businesses were significantly changed in the second generation, and their first-generation business streams

were virtually discontinued.

8.1.3 The individual-level insights

Reasons for such inconsistency can be sought from different perspectives. Given its nature and purposes, this research has particularly highlighted the intergenerational subtleties in family businesses (Cadieux, 2007; García-Álvarez, López-Sintas & Gonzalvo, 2002; Lee, 2006; Venter, Boshoff & Maas, 2005) and the central role of the individual entrepreneurs in the entrepreneurial processes (Gartner, 1988; Simsek, Lubatkin & Floyd, 2003; Whittaker *et al.*, 2009; Woods, 2006), and indicated that an individual-level dimension is needed in the picture about entrepreneurship in family businesses.

Generally guided by an AMO framework, the individual-level investigation yielded insights and critical implications for studies on both "familiness" and entrepreneurship of the second-generation Chinese family businesses. Firstly, the SOMs' previous experiences, particularly succession-related experiences, were found relevant to the SOMs' ability and motivation for entrepreneurial and innovative activities. The SOMs who were explicitly designated as prospective successors, and therefore received purposefully programmed successor training from the founders, or the founders' teams, appeared to be more capable of maintaining the existing businesses, and more willing to continue with the existing businesses, in comparison with their counterparts whose successions were unplanned, and who were not systematically trained as prospective successors by the respective founders. This potentially mirrors Ward's (2004) argument that succession planning is an effective way to sustain established family businesses (cf., Dana, 2001). In a similar vein, García-Álvarez *et al.* (2002) view successor designation and training as an intergenerational socialisation process, through which the first-generation ideology and legacy is gradually transferred to, and internalised by, the second-generation SOM, who in turn unconsciously and voluntarily prioritises continuous growth of the business over radical changes (Cadieux, 2007).

Secondly, through the individual-level investigation, the research found that the intergenerational founder-successor relationship had a significant impact on the successor's perception of, and attitudes towards, the existing business, which in turn influenced the firm's entrepreneurial and innovative activities. Echoing Brockhaus (2004), Dunn (1995), Lansberg and Astrachan (1994), and Venter *et al.* (2005), who collectively submit that a harmonious and mutually supportive predecessor-successor relationship is crucial for an ongoing organisational commitment and strategy, and hence the continuity of the family business, findings from this research suggest that the friendlier the relationship between the SOM and the founder, the more willing the SOM was to embrace the founder's legacy, and to continue with and promote the existing business.

Indeed, with an agreeable and engaged founder-SOM relationship, the SOM was more likely to accept the founder's direct or indirect ongoing involvement in the business after succession (Cadieux, 2007; Seymour, 1993; Venter *et al.*, 2005). The SOM's willingness and the founder's ongoing involvement, in turn, increased the SOM's preference for an entrepreneurial opportunity being created and exploited to strengthen and reinforce the existing business and capabilities, which resulted in more continuous, or dynamically continuous, innovations. On the other hand, a less friendly founder-SOM relationship contributed to the SOM's increased reluctance to accept the founder's legacy after succession, hence the SOM's desire to either completely or significantly change the exiting business and its practices. With an unfriendly and disagreeable, or even hostile, founder-SOM relationship, the founder's ongoing involvement in the second-generation business became unlikely. The SOM's desire to change and the absence of the founder's ongoing involvement enabled the SOM to pursue an entrepreneurial opportunity which had little or no relevance to the existing business, resulting in discontinuous innovations and new capabilities.

On reflection of the above discussions, the first-generation legacy in the businesses arises as a common theme of successor designation and training, founder-SOM relationship, and the founder's ongoing involvement (García-Álvarez *et al.*, 2002; Ward, 1987, 2004).

According to Morris, Williams, Allen and Avila (1997) and Venter *et al.* (2005), a fundamental difference between family businesses and non-family businesses is that the former are usually more subject to a trans-generational legacy, through succession and family interactivities. After investigating the relationship between family conflicts and the family business outcomes, Lumpkin, Martin and Vaughn (2008) propose that when role conflicts increase between the predecessor parent and the successor child, family cohesion decreases, which typically results in the parent, or the parent's legacy, being suspended from the business, and the business being significantly changed after succession (cf., Lee, 2006). These arguments are supported by the individual-level findings from this research, and shed light on the three patterns of "familiness" influences on entrepreneurship (see Figure 8.2).

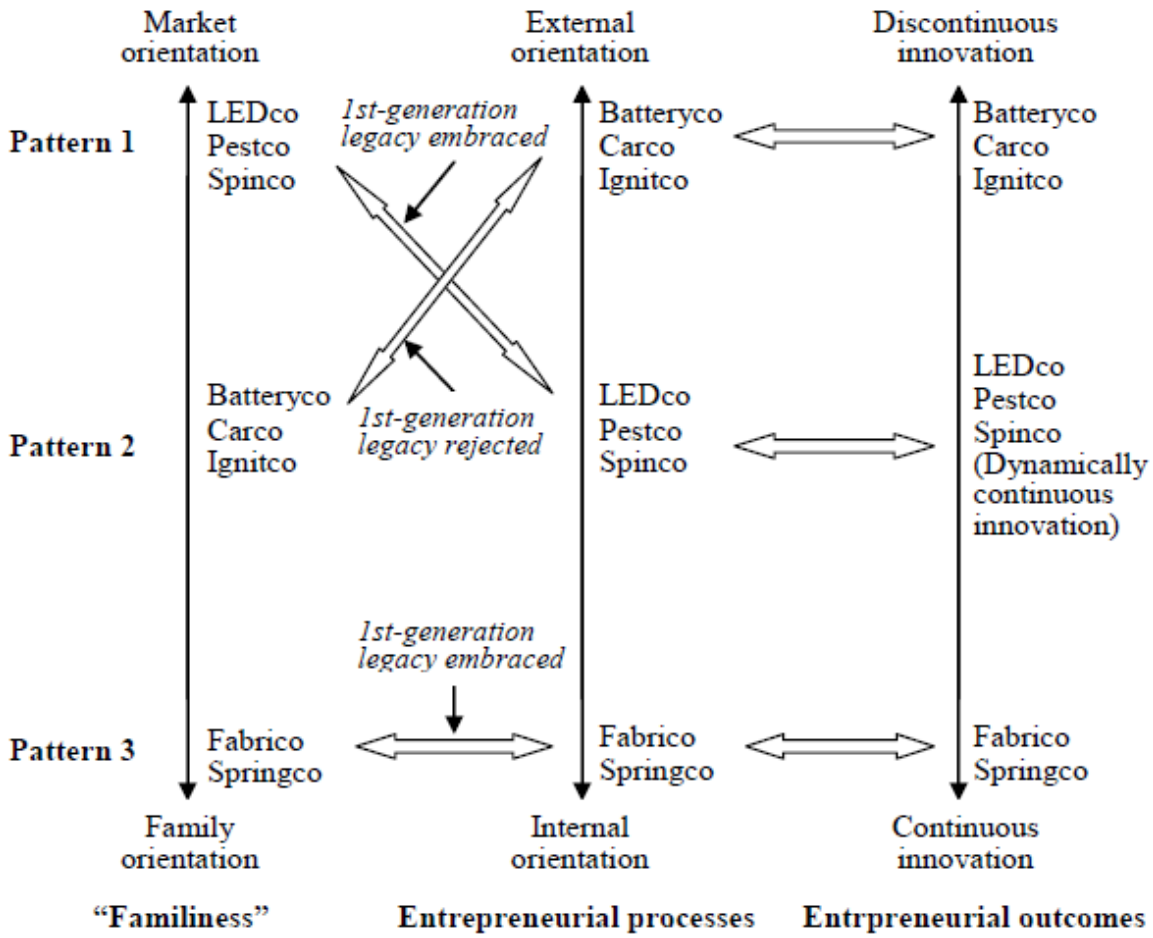

Figure 8.2 "Familiness", first-generation legacy, and entrepreneurship

Specifically, the SOMs of Patterns 1 and 3 businesses, namely Fabrico, LEDco, Pestco, Spinco, and Springco, were designated by their respective founders as prospective successors and received relatively comprehensive successor training. These SOMs typically had friendly and engaged relationships with their respective founders, and generally embraced the founders' ongoing involvement in the businesses after succession. Although the founders' ongoing involvement was different in its form and intensity across these businesses, it contributed to the effective continuity of the first-generation legacy in the second-generation businesses, which in turn subtly directed the SOMs to a general focus on the existing businesses when entrepreneurial opportunities were created and exploited.

On the other hand, the SOMs of Pattern 2 businesses, namely Batteryco, Carco, and Ignitco, were not considered as prospective successors, and successor training was either not provided or terminated by the respective founders before succession. Being free from the founders' designation and training enabled these SOMs to develop business abilities according to their own will, which were not necessarily relevant to the existing businesses. Coupled with an indifferent or disagreeable relationship with the founders, which was a result of the intensification of the role conflict in both the family system and the business system (Kepner, 1991), these SOMs excluded the founders' ongoing involvement from their businesses, either purposefully or subconsciously. Here, in line with García-Álvarez *et al.* (2002), Lansberg (1999), and Ward (1987, 2004), underlying the SOMs' lack of ability and motivation to continue with the existing businesses, and particularly the exclusion of founders' ongoing involvement, it was the first-generation legacy *per se* that was rejected by the second-generation businesses. The minimisation of the first-generation legacy in these businesses virtually freed the SOMs and their teams from the founders' influence or interference, and the SOMs did not have to bear major ongoing commitments to their respective founders, through the existing businesses (Beck *et al.*, 2011; Lee, 2006), which enabled more radical entrepreneurial thinking and behaviours to emerge, regardless of the existing business.

Turning now to the relationship between first-generation legacy and "familiness", one may

question why the Pattern 2 businesses, which rejected the first-generation legacy, appeared to be more family-oriented than those in Pattern 1 with first-generation legacy embraced. My explanation is that the Pattern 2 businesses were forced to have a balanced combination of market orientation and family orientation. Without the first-generation legacy, they were able to develop into new business areas and become market-oriented players, but in the meantime, venturing into unfamiliar areas implied that these businesses had to overcome their lack of capability in relation with the market and a higher level of risks. As is documented in the literature (e.g., Pistrui, Huang, Oksoy, Jing & Welsch, 2001; Poutziouris & Chittenden, 1996; Sharma, 2008), it is much easier for SMEs to turn to the family in order to access necessary resources, and more importantly, to mitigate potential risks. In this vein, it was evident that the SOMs' families were regularly involved in the externally-oriented entrepreneurial activities at Batteryco, Carco, and Ignitco, namely the Pattern 2 businesses, which resulted in a hybrid combination of family orientation and market orientation in their "familiness".

Their counterparts in Pattern 1, on the other hand, embraced the first-generation legacy and inclined to the market orientation pole, which suggested that their market orientation was to a large extent inherited from the first generation, primarily through intergenerational socialisation (García-Álvarez *et al.*, 2002; Lee, 2006) and successor training (Handler, 1989; Ward, 1987), or simply business "DNA". More importantly, the Pattern 1 businesses all developed new business streams, which to an extent required them to be considerably market-orientated, regardless of the business "DNA". As a result, this made them different from the businesses in Pattern 3, which also embraced the first-generation legacy, but focused on existing business and stayed family-oriented. Presumably, the businesses in Patterns 1 and 3 might have to seek for a hybrid combination of family orientation and market orientation in their "familiness" if they had rejected the first-generation legacy, but as the Pattern 1 businesses had new business streams, they would become more externally-oriented in their entrepreneurial processes and produce less continuous innovations than the Pattern 3 businesses. The businesses in Pattern 2, on the other hand, should be more market-oriented if they embraced the first-generation legacy, and implement externally-oriented entrepreneurial processes, resulting in discontinuous innovations. These

assumptions will need future research to test and verify.

In the wake of the discussions of both firm-level and individual-level processes, two major suggestions can be made to research of a similar nature. First, entrepreneurship in small to medium-sized family businesses is not simply a firm-level undertaking. As the family system and the business system are interactive (Fletcher, 2004; Gersick *et al*., 1997; Johannisson, 2002; Taguiri & Davis, 1982) and the owner-manager plays a critical role in both systems (Cliff & Jennings, 2005; Gomez-Mejia, Nunez-Nickel & Gutierrez, 2001; Olson *et al.*, 2003), attention needs to be paid to both the business contexts and the family contexts, as well as to an individual level. To deepen our knowledge about entrepreneurship in family businesses, a dual-level approach is necessary (cf., Rutherford, Muse & Oswald, 2006).

Second, in successive-generation entrepreneurial family businesses, the "familiness" influences on entrepreneurial processes are nuanced by the successor's perception of, and reaction to, the preceding generation's legacy (Barach, Ganitsky, Carson & Doochin, 1988; Stafford, Duncan, Danes & Winter, 1999). Recognition and embrace of the preceding generation's legacy typically turns the entrepreneurial processes of the business towards an internal orientation, or a combination of internal and external orientations, depending on "familiness" differences,[20] and leads to continuous, or dynamically continuous, innovations. Denial and rejection of the preceding-generation legacy inclines the business to an external orientation in the entrepreneurial processes, with less continuous and more discontinuous innovations being implemented. In order to uncover the way in which "familiness" influences entrepreneurial processes in successive-generation family businesses, therefore, it is necessary to adapt a cross-generational perspective.

[20] In line with prior empirical research, it is arguable that the preceding-generation legacy prevents significant shift in the firm's objectives (Beck *et al.*, 2011; Morris *et al.*, 1997), resources (Sharma, Chrisman & Chua, 2003; Zahra, 2005), and decision-making (Chua, Chrisman & Sharma, 1999), and ensures that the firm's strategic orientations remain identical or similar across generations (Naldi, Nordqvist & Sjoberg, 2007; Ward, 2004). Thus, the "familiness" itself has a trans-generational effect, which in turn influences the entrepreneurial processes.

8.2 Contributions and limitations

Both family business and entrepreneurship studies are undergoing development, and the intersection of these disciplines even more so. In the family business literature, a long-standing definition dilemma exists (Astrachan *et al.*, 2002; Chua, Chrisman & Chang, 2004). Questions like "What makes a family business different?" have been repeatedly asked and debated. Inroads have been made in recent years by advocating a continuous approach to replace the conventional dichotomous approach to exploring the essence of family businesses (e.g., Astrachan *et al.*, 2002; Klein, Astrachan & Smyrnios, 2005). However, consensus has not emerged as to how family attributes influence the business performance, particularly with regard to entrepreneurship and innovation.

On the other hand, in the entrepreneurship literature considerable attention has been paid to the personal traits of the entrepreneur (Casson, 1982; Liles, 1974), the outcomes of the entrepreneurial activities (Davidsson, 2004; Schumpeter, 1939; Zahra & Dess, 2001), the processes around the entrepreneurial opportunity creation and exploitation (Alvarez & Barney, 2007; Peterson, 1985; Shane & Venkataraman, 2000), and more recently comparative entrepreneurship (Baker, Gedajlovic & Lubatkin, 2005; Whittaker *et al.*, 2009). A variety of concepts and notions have been proposed, but their practicality and effectiveness are yet to be sufficiently tested and confirmed by empirical studies.

Drawing on the recent progress in both family business and entrepreneurship literatures, this research has taken one step further towards the development and evolution of both disciplines. Some key concepts have been refined and operationalised, and then applied in the study of second-generation Chinese family businesses and their entrepreneurship. A number of contributions have been made to the academic, and also the managerial and policy-making realms. This section summarises the major contributions, as well as the limitations, which will help to create an agenda for future research.

8.2.1 Conceptual and theoretical contributions

The first notable contribution that this research makes is the (re)conceptualisation and operationalisation of the notion of "familiness". As mentioned above, the term "familiness" was first created in the pursuit of the essence of family businesses (Chrisman *et al.*, 2005). Pioneer researchers, such as Handler (1989) and Wortman (1994), noticed that a unifying paradigm for family business research was absent although family business was rapidly becoming a hot topic in academia. Habbershon and Williams (1999), among others, attempted to develop a unified theoretical basis, on which family business research could clarify its direction and yield more solid outcomes. The concept of "familiness" was therefore coined to stand for the firm-level attributes of family businesses, which are a result of the interactions of the family system and the business system. In other words, "familiness" draws on systems theory (Gersick *et al.*, 1997) and emphasises the uniqueness of family businesses by considering the influences of the owner-manager's family on the business.

Although it has been embraced by many researchers from a variety of perspectives, the conceptualisation of "familiness" remains weak, and the literature has not made substantial progress in understanding the essence of family business (Arregle *et al.*, 2007; Pearson *et al.*, 2008; Sharma, 2008). The main problem with the conceptualisation of "familiness" is the overemphasis on the family resources, which are claimed as the source of competitive advantage for family businesses (Habbershon *et al.*, 2003; Tokarczyk *et al.*, 2007). This research has attempted to break through the restrictions of the RBV and develop a more realistic and operational notion of "familiness".

Firstly, it argues that the notion of "familiness" should include not only a resources dimension, but also two additional dimensions of business objectives and decision-making respectively. On the one hand, the three-dimensional notion of "familiness" in this research acknowledges prior emphasis on the owner-manager's family as a major resource provider for the business. On the other hand, it argues that resources are not the only criterion to

define "familiness". As some recent literature (e.g., Chrisman *et al.*, 2005; Cliff & Jennings, 2005; Rutherford *et al.*, 2008) holds, it is not just the resources that influence the family business performance, but more importantly the manner in which these resources are acquired and deployed, and the rationale for such acquisition and deployment. To address the call for a breakthrough in the conceptualisation of "familiness" (Cliff & Jennings, 2005; Sharma, 2008), this research redefines the notion with a three-dimensional framework. In this way, "familiness" is no longer simply a notion of "what" (i.e., resources), but also of "why" (i.e., objectives) and "how" (i.e., decision-making), which significantly increases the comprehensiveness and justifiability of the notion of "familiness".

Secondly, this research operationalises the notion of "familiness" by proposing a continuum between a family orientation pole and a market orientation pole, which provides a possible solution to the dilemma of measuring how "family" a business is (Rutherford *et al.*, 2008). The grounding assumption is that there are two types of values that individuals orient themselves towards social interactions, namely, expressive and instrumental (Parsons, 1951, 1977). Since family businesses are typically at the intersection of the family system and the business system, they are neither solely oriented by family values nor market values.[21] In reality, there is always a combination of both orientations in strategic management and business operations (Chrisman, Chua & Steier, 2003; Dore & Whittaker, 2001; Heck *et al.*, 2008). The "familiness" examination on the three dimensions, each of which are subdivided into five sub-dimensions as five criteria, helps to demonstrate the means in which family and market orientations are combined in the family businesses, which is in turn related to their performance, including the entrepreneurial and innovative processes. Alongside the thorny conceptualisation of "familiness" in family business research is the lack of operationalisation of the notion for empirical studies (Rutherford *et al.*, 2008; Sharma, 2008).[22] By proposing a continuum between family orientation and market orientation, and a range of criteria on each of the three "familiness" dimensions, this research provides a

[21] Different terms are used in the literature for the value orientations of family businesses, such as "business orientation" in Leenders & Waarts (2003). However, this research argues that the nature of the "business side" is a set of values defined and oriented by the market, in which the business exists.

[22] Researchers (e.g., Tokarczyk *et al.*, 2007) have started operationalising the notion of "familiness" for empirical work, but over-concentration on the RBV conceptualisation seriously constrains these attempts.

continuous approach to interpret "familiness", and may help future efforts to operationalise the notion for empirical results.

This research also contributes to the entrepreneurship literature by investigating the patterns of "familiness" influence on entrepreneurial processes and innovation in specific businesses. It provides a remedy for the oversight of family businesses in the "mainstream" entrepreneurship research (Chrisman *et al.*, 2003; Rogoff & Heck, 2003) by arguing that "familiness" influences the individual and firm's value orientations in the entrepreneurial processes, which in turn leads to different types of entrepreneurship. This research supports the literature on the positive relationship between the firm's market orientation and radical entrepreneurial behaviours with less emphasis on the existing capabilities, and conversely between the firm's family orientation and incremental entrepreneurial behaviours with stronger emphasis on the firm's existing capabilities (cf., Hall, Melin & Nordqvist, 2001; Zahra, Hayton & Salvato, 2004). A contribution is made to the understanding of entrepreneurship in established small to medium-sized family business context, where ownership and management are typically intertwined. By investigating the business objectives, resources, and decision-making in second-generation Chinese family businesses, and their impacts on the entrepreneurial processes and innovations, this research has explored a field of inquiry that was largely neglected.

This research also shows that the individual-level interactions between the preceding and succeeding owner-managers of the family business constitute another dimension to the firm-level "familiness" influences on entrepreneurial processes and innovations, mainly through the successor's perception of, and attitudes towards, the preceding generation's legacy (Cadieux, 2007; Lee, 2006). An intergenerational perspective and a dual-level analytical approach are therefore suggested for research on entrepreneurship in trans-generational family businesses. These suggestions, supported by empirical evidence, re-address and promote the call for a return of the focus on the entrepreneur in the entrepreneurship research agenda (e.g., Mitchell *et al.*, 2002; Whittaker *et al.*, 2009; Woods, 2006), especially in the small to medium-sized entrepreneurial family business settings,

where the owner-manager plays a decisive role in the entrepreneurial processes.

By adding an individual-level and intergenerational dimension, nuances in the "familiness"-entrepreneurship relationship are likely to be captured – the most market-oriented businesses do not actually conduct the most radical entrepreneurial behaviours and implement discontinuous innovations. Arguably, it is the rejection of the predecessor's legacy in the succeeding-generation family business that comprises a sufficient condition, in addition to a certain level of market orientation as a necessary condition, for radical entrepreneurial behaviours and discontinuous innovations. Conversely, the embrace of the predecessor's legacy in the succeeding-generation family business is likely to offset the firm's market orientation and increase the intention to reinforce the existing business, resulting in less radical entrepreneurial activities and (dynamically) continuous innovations. These findings and arguments challenge the literature (e.g., Dibrell *et al.*, 2010; Leenders & Waarts, 2003; Tokarczyk *et al.*, 2007; Verhees & Meulenberg, 2004) on market orientation being sufficiently conducive to entrepreneurship and innovation in family businesses, and call for more attention in entrepreneurship research to exploring the family side in trans-generational family businesses (cf., Moores & Craig, 2011; Morris & Craig, 2010).[23] A possible promising future direction would be to investigate the "familiness" of the succeeding generation and the preceding generation, respectively, and compare them, so as to yielding more insights into how the preceding generation's legacy fits into the "familiness" landscape and influences the entrepreneurial processes of the succeeding-generation business.

8.2.2 Managerial and practical implications

In addition to the academic contributions and implications, this research is insightful to other parties, including the Chinese family business practitioners, local government agents, and the

[23] Cf., Aldrich & Cliff (2003), who advocate a family embeddedness perspective in entrepreneurship research. Their proposal, however, is based on demographic factors (e.g., household size and composition) and their impact on the nature of entrepreneurial opportunities in a general sense, rather than a systematic exploration in a family business environment.

domestic and foreign stakeholders who seek to engage with entrepreneurial Chinese family businesses, either as collaborators or competitors.

First, for small to medium-sized Chinese family businesses, entrepreneurship and innovation comprise a means in which constant renewal and sustainable growth can be achieved. But the research also suggests that both founders and successors of Chinese family businesses will have to take a more tailored and strategic approach to the generational business transition.

Most family businesses in China started after the official launch of the economic reforms in late 1970s and early 1980s. After some thirty years' development, those who are still active in commerce today have, or will soon have, encountered the issue of generational succession, or continuity of the business. According to a recent report on the development of Chinese family business (Chinese Private Economy Research Society, 2011), a considerable number of small to medium-sized family businesses in China are deficient in entrepreneurial and innovative thinking and actions. This deficiency, to a large extent, is attributed to the fact that many are engaged in traditional industries with traditional modes of production and management (Chen, 2005; Li & Matlay, 2006). Only those who are able to escape traditional limitations will be likely to succeed across generations.

This research identified the relationship between the family attributes, strategic orientations, trans-generational interactions, and entrepreneurship and innovations of small to medium-sized Chinese family businesses. The results highlight the combined effect of "familiness" and first-generation legacy on the patterns of second-generation entrepreneurship and innovation. It appears that the successor's embrace of the first-generation legacy, typically as a result of purposefully planned and implemented successor training and a collaboratively engaged founder-successor relationship, is less likely to encourage the business into radical entrepreneurial venturing, nor discontinuous innovations. As well, when the first-generation legacy is in place to enable the growth of

business on a continuous basis, the less the family orientation, the more dynamic the entrepreneurial processes and innovations outcomes will be (cf., Craig, Irana & Moores, 2011).

These findings imply that founders must exercise caution in successor designation and training, as well as in their relationship with successors. A set of conflict-solving methods may need to be worked out between the founder and the successor. Also, the founder should carefully re-define, together with the successor, his or her role in the business after succession, to assist the successor and the business to form a "familiness" fit for their desirable outcomes at an acceptable level of risk. For successors, it is important that they are clearly aware of the objectives that they pursue through the business and the potential effect of the first-generation legacy on such objectives. When their prime objective is to continue with and develop the existing family business, they will need the first-generation legacy to facilitate the continuity. If they are keen to create their own business portfolio, regardless of the existing business, the first-generation legacy becomes a potential impediment that they may have to reject. However, they must also realise that the rejection of first-generation legacy means that they may have to bear more risks when they adopt entrepreneurship and innovations of a radical and discontinuous nature – after all, it is not unusual that radical innovators are more exposed to failure than their incremental counterparts.

Second, local government agents, who are responsible for facilitating the development of the private sector, need to review their current practices with regard to family businesses. An impression from this research is that the local government agents in different areas were invariably advocating the market mechanism and market orientation to local family businesses. For example, the SOMs of the three most market-oriented family businesses in this research were all members of local young entrepreneurs' associations, which are government-initiated and led organisations of a similar nature to chambers of commerce. The main activities of these organisations included regular seminars and visits designed to promote market-oriented management and operations for private businesses, and market

information exchange. It seemed that the Chinese local governments had an extraordinary passion for encouraging the transformation of local family businesses with an increased market orientation and restricted family orientation. The possible underpinning belief is that market orientation is conducive, and family orientation is restrictive, of entrepreneurship. This belief needs substantial reconsideration, as this research indicates that businesses inclined to a family orientation can also be entrepreneurial and innovative, although they adopt a different pattern of entrepreneurial processes from those of the market-oriented family businesses. As regulators and coordinators of the local economy, government agents perhaps need to make adjustments in their view of the effect of "familiness" on entrepreneurship and innovation. Rather than guiding the family businesses to reduce their family orientation and increase their market orientation, it is more important to help the businesses to acquire a carefully tailored combination of "familiness" which fits into their own paths of development and contributes to effective and productive entrepreneurial activities and outcomes.

Third, businesses which are, or look forward to, engaging with small to medium-sized family businesses in China can also learn from this research, be they domestic or foreign parties, of a collaborative or competitive nature. In order to facilitate the formulation and revision of relevant strategies for collaboration or competition with Chinese family businesses, these businesses need a better understanding of the "familiness" combination in the Chinese family businesses, because such combination has a significant effect on the strategic orientation of the businesses, and to a large extent, reveals the way in which decisions are made and implemented in these businesses. Attention should be paid to the family side of the Chinese family businesses, which is potentially nuanced and difficult to grasp, but exerts a strong influence on the business management and operations, in comparison with the more visible business side. Knowledge about the founder-SOM interactions is not only helpful for understanding how much the businesses have changed in the second generation, but also indicative of the possible patterns in which entrepreneurship and innovations are implemented. As one of the interviewees in this research reflected, "To keep the portrait of the Chinese family businesses close to the actual look, the painter will have to understand the interior of the owner-manager's family."

8.2.3 Limitations and areas for improvement

Several circumstances have limited this research from yielding more insights into entrepreneurship in family business. Some of these limitations could be reduced by improving research skills and techniques. Others are related to the generalisability of empirical results, which call for more qualitative and quantitative efforts, based on larger sample sizes, in future.

The first limitation lies in the data collection phase. To gain richness and freshness in the qualitative data, face-to-face interviews were used. Although most interviewees were willing to share information in an open manner, particularly after the interview protocol was explained and the confidentiality of their involvement in the research was promised, some were implicitly uncomfortable with conversations in work settings – in a vacant office or meeting room of the business during business hours, for example – and therefore responded with relatively vague information or bypassed the topic. This was slightly more noticeable when the interviewee was an employee of the business and was a member of neither the management team nor the owner-manager's family. Ideally, some prior contacts would be established between the interviewer and interviewee, during which the purpose of the research could be explained in more depth, and more importantly, concerns about potential unfavourable impacts on the interviewee's relationship with the employer could be minimised (Keats, 2000). This was not possible under the actual circumstances of this research. On the other hand, the employee's contacts with a third-party stakeholder or stake-seeker (e.g., a researcher from outside of the business) without the employer's approval or presence are often considered inappropriate, especially when such contacts happen out of business hours, hence a potential threat to the employer. A feasible solution, which was used in this research, was to deformalise the processes of the interviews (Keats, 2000; Wengraf, 2001), which increased the interviewee's comfort and encouraged freedom of expression as the interview proceeded.

The deformalising method was generally effective in reducing the interviewee's concerns, but it gave rise to the difficulty in interview recording, and later the data generation and processing, which comprises the second major limitation of this research. It was common for interviewees to become cautious when a recording device was turned on and placed on the table, or when I took notes of what was said during the interviews, although the interviewees' permission for the recording and note-taking was initially given. The interviewees tended to be more relaxed when the recorder and note-book were put away, and started talking more about their personal perceptions of the business, which was more valuable, rather than the stylised responses. However, without the recording or note-taking, many interesting and insightful comments made by the interviewees were hard to memorise for subsequent use. Although short-term memory was applied and many remarks and comments were reproduced after the interviews, accuracy of such reproduction could be questioned. This also prevented the use of more direct quotes of the interviewees, which could have added more vividness and robustness to the work.

The third limitation of this research relates to the data processing, especially the translation of the data. As the fieldwork was conducted in the Chinese language and the research is in English, translation became an inevitable component in the data processing phase. Although I have prior bilingual experience in both academic and professional settings, in addition to formal qualifications in Chinese-English translation and interpretation, it still leaves possibility of twisting or losing part of the original meaning during the translation process. The back translation technique, which requires the translated text to be re-translated back to the original language to help identify discrepancies between the original work and the translated work, was used to minimise such possibility. Ideally, back translation is done by a different person from the one who does the translation in the first instance, to reduce the researcher's subjective bias and deviation in the process (Brislin, 1970; Harkness, 2003). Given its nature as a PhD work which highlights the researcher's ownership of the entire processes, however, this research did not involve a second person in

the back translation.[24] Thus, any subjective bias was likely to remain, although I believe it was not a fundamental constraint.

Last but not least, the findings from this research indicate that there is a potential limitation with regard to the comprehensiveness of the sample, which was hard to predict beforehand, but could be fixed by increasing the sample size. The three patterns of "familiness" influences on entrepreneurial processes and innovations, which were identified and discussed in the previous sections (cf., Figure 8.2), suggest that embrace of first-generation legacy had the effect of the second-generation family businesses taking less radical entrepreneurial behaviours and implementing innovations of a more continuous nature. On the other hand, rejection of the first-generation legacy, coupled with at least a notable market orientation, contributed to radical entrepreneurial behaviours and discontinuous innovations. However, it is unclear whether a similar effect exists on the entrepreneurial processes in the highly family-oriented businesses, as all family-oriented businesses in this research embraced the first-generation legacy. It is possible that the family-oriented businesses, without the first-generation legacy, might adopt less incremental behaviours in their entrepreneurial processes and produce dynamically continuous innovations, but without empirical data to verify, it largely remains an assumption, rather than a conclusion, and needs further inquiry, possibly by taking both qualitative and quantitative approaches. There may be other patterns as well, which have not been identified by the research.

8.3 Concluding remarks

In the last two decades, substantial efforts have been made by social scientists to study family businesses, and significant inroads have been made, but our knowledge about this form of organisation is still relatively shallow. Nevertheless, one notable, and commonly acknowledged, feature of family businesses is that they are at the conjunction of two types of

[24] Other reasons for not having had a second person for the back translation include the high cost that this service incurs and the concerns about the actual quality and accountability of the job should it have been done by a second person unfamiliar with the context of the interviews.

social organisation – the family and the business. This feature is particularly relevant to research on entrepreneurship in family businesses, where entrepreneurial opportunities are normally pursued by acquiring and organising both direct and indirect family resources (Aldrich & Cliff, 2003; Craig *et al*., 2011), through either creation of new business ventures (Davidsson & Wiklund, 2001; Timmons, 1999) or (re)deployment of such resources in existing businesses (Stafford *et al*., 1999). Since family business was eventually regarded as a separate academic discipline in the 1990s (Bird *et al.*, 2002), the question of what makes a family business different, and more recently, on what the essence of family business is, has been repeatedly asked. In response, the relationship between family dynamics and business performance has been investigated by researchers from a variety of perspectives, of whom entrepreneurship researchers are particularly interested in the rationale for entrepreneurial family businesses to take certain processes in which opportunities are created and exploited (Aldrich & Cliff, 2003; Sharma, 2004), and in many cases innovations are implemented (Aldrich & Kenworthy, 1999; Dodgson, 2011; Whittaker *et al.*, 2009).

In entrepreneurship research, the classic question "What makes a family business different?" is typically translated into questions about the role that the owner-manager's family plays in the entrepreneurial processes of the business (Rutherford *et al.*, 2008). In their efforts to search for an answer, researchers have come up with distinct, and often antithetic, findings and results. Some (e.g., Habberson *et al.*, 2003; Tokarczyk *et al.*, 2007) argue that the owner-manager's family plays a dominant and central role, and that the entrepreneurial activities in family businesses are driven and moderated by the owner-manager's family dynamics. Others (e.g., Hall *et al.*, 2001; Zahra *et al.*, 2004), in contrast, assert that the owner-manager's family exerts mostly indirect and subtle influences on the entrepreneurial processes, contingent on the nature of the opportunity. A possible reason for such contrast is that entrepreneurial family businesses are diverse in their family attributes, which in turn influence their respective entrepreneurial processes in different ways.

In any case, as both entrepreneurship and family business research advances, there is a growing consensus in the literature that entrepreneurship in family business is associated

with the interplay between the owner-manager's family, the business, and their social contexts (Aldrich & Cliff, 2003; Anderson *et al.*, 2005; Le Breton-Miller & Miller, 2009; Rutherford *et al.*, 2006). In line with this consensus are the recent emergence and development of the notion of "familiness" as a measurement for the "family side" of the business, primarily in the family business literature (e.g., Astrachan *et al.*, 2002; Chrisman *et al.*, 2005; Habbershon *et al.*, 2003), and the call for a family embeddedness perspective for capturing the role of the owner-manager's family in the firm's entrepreneurial activities, mainly in the entrepreneurship literature (e.g., Aldrich & Cliff, 2003; García-Álvarez *et al.*, 2002).

In response to the calls for more attention in the entrepreneurship literature to "the vast majority of organizations that exist, or will exist, in the world" (Chrisman *et al.*, 2003, p. 441) and "evolving research in entrepreneurship and family business" (Rogoff & Heck, 2003, p. 559), this research has explored the way in which "familiness" influences entrepreneurship in family business. China, being a recently emerging economic power, where both family business and entrepreneurship have been rapidly growing but are still relatively under-investigated, has been selected for this purpose. To reflect the fact that intergenerational succession has become a common theme for numerous Chinese family businesses, this research is particularly interested in how entrepreneurship is developed in second-generation Chinese family businesses. Results from this research are useful for answering some long-existing critical questions in both family business and entrepreneurship literatures.

Neither family business nor entrepreneurship is an easy subject to research, not to mention the complexity, and often ambiguity, in the conjunction of both family business and entrepreneurship inquiries. This research, as an initial effort to explore "familiness" and entrepreneurship, is by no means watertight or conclusive. We still know remarkably little about trans-generational entrepreneurial family businesses, and we are now at a very early stage in understanding how entrepreneurship and innovation are produced and managed in small to medium-sized family businesses, particularly in different environments. As our

inquiry goes on, more questions are bound to arise than we will have been able to answer. Central to our constant knowledge advancement is the ability to raise new critical questions in the course of answering existing ones. In this sense, this research has made a contribution, and a long journey has just started.

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