



**The selection of the successors of Chinese family businesses and
the conflicts in the process of inheritance**

Zhou Yingyu

Thesis submitted as partial requirement for the conferral of the degree of

Doctor of Management

Supervisor:

Prof. Elizabeth Reis, Full Professor, ISCTE University Institute of Lisbon

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Prof. Wang Binjie, Associate Professor, University of Electronic Science and
Technology of China

September, 2019



Instituto Universitário de Lisboa

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- Spine -



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Abstract

Over the past 40 years of China's reform and opening up, more than 5 million private enterprises emerged. The majority of them, family-owned businesses, or simply family businesses, have become the driving force of China's individual and private economic sector. Nowadays, at the age of retirement, the founders of these enterprises face intergenerational inheritance in which they have to make tough decisions on the successor selection. Under the unique family culture originated from ancient China, it is hard for those entrepreneurs to avoid conflicts of interest, not only between multiple candidates, but also in the case of unwillingness. In this regard, the research propose of this thesis is to examine possible factors that affect successor's selection and inheritance willingness, and provides a solution to smooth inheritance. However, in relevant studies, such factors are rarely discussed from a comprehensive prospective, making the inheritance process like a *black box* where the content are unknown to people who fail to deal with conflicts between the two generations.

After the literature review, potential factors that related to the process of inheritance are refined in this thesis, and the influence of family relations and family atmosphere are analyzed from aforementioned family culture. In order to support the analysis work through empirical research, the classical family business inheritance models are also summarized. However, by considering traditional culture and social concept on the entrepreneurs, the traditional models are believed not applicable for the research problem, even though they have been verified by the practice in many other countries. Based on above thoughts, the research hypotheses are proposed using Stavrou and Swiercz (1998) four-factor theory, and the questionnaire is thus designed from the angle of individual, family, enterprise and society.

Applying the proposed research framework, a questionnaire survey is conducted on family business inheritance to obtain the successors' willingness as children, and the incumbents' willingness as parents, as well as the family relationship and the inheritance plan contained therein. Using acquired data and through reliability analysis, logistic regression analysis and independent sample t-test, the research hypotheses are validated concerning potential factors related to the willingness of the two sides and the conflict in inheritance process. It can be found in the results that the four factors have different importance between the two sides, and enterprise factor does not statistically influence the willingness of the

successors. Different viewpoints are shown in most of the factors, and the successors usually tend to disagree more than their parents. In this sense, specific reasons that lead to the conflict are analyzed in item level. Summing up the research results, some suggestions are drawn on the inheritance and development of family business, including a practical and flexible inheritance plan instead of an intuitive decision to improve mutual understanding, which embodies the theoretical value and practical significance.

Keywords: family businesses; intergenerational inheritance; successor selection; inheritance conflict; empirical study

JEL: M12; M13

Resumo

Nos últimos 40 anos de reforma e abertura da China, foram criadas mais de 5 milhões de empresas privadas, a maioria das quais empresas familiares que se tornaram uma importante força motriz do setor económico individual e privado da China. Hoje, com a chegada à idade da reforma, os fundadores destas empresas familiares enfrentam o processo de herança intergeracional e necessitam de tomar decisões importantes no que respeita à seleção dos seus sucessores. Perante o ambiente de cultura familiar único da China é difícil evitar conflitos, não só entre múltiplos candidatos à sucessão, mas também pela falta de interesse e motivação das duas partes. O principal objetivo desta tese é estudar os fatores que afetam a seleção dos herdeiros, a disponibilidade para a herança e propor uma solução para uma transição sem conflitos. Estes fatores raramente são discutidos de modo compreensivo nos estudos relevantes sobre este assunto, criando como que uma caixa negra no respeitante ao entendimento dos conflitos no processo de herança.

Partindo da revisão da literatura existente, esta tese analisa de forma abrangente os fatores que influenciam o processo de herança, assim como a influência das relações familiares e da atmosfera familiar nesse processo. Apresenta também um resumo dos modelos clássicos de herança de empresas familiares de modo a justificar as opções da pesquisa empírica. No entanto, embora tenham sido testados e validados pela prática noutros países, os modelos tradicionais não se mostram adequados quando se pretende tomar em consideração o impacto da cultura tradicional e o conceito social de empreendedor individual. Com base nestas considerações, são avançadas várias hipóteses de pesquisa com base na adaptação de teoria de quatro fatores de Stavrou & Swiercz (1998). O estudo empírico tem por base um questionário desenhado com o objetivo de recolher informação sobre as quatro dimensões em análise: individual, familiar, empresarial e social.

Usando o modelo concetual anterior, é realizado um inquérito por questionário sobre o processo de herança da empresa familiar para avaliar a disponibilidade dos herdeiros enquanto filhos, e a disponibilidade dos progenitores como pais, para levar a bom termo o processo de herança, bem como o relacionamento entre ambos neste processo. São aplicados diferentes métodos estatísticos - coeficiente de fiabilidade, modelo de regressão logística e teste t para amostras independentes - à informação recolhida para validar as hipóteses de

pesquisa relativamente aos fatores potenciais que afetam a seleção do sucessor e a sua disponibilidade no processo de herança. Os resultados mostram que os quatro fatores têm importância diferente para as duas partes, sendo que a dimensão empresarial não influencia estatisticamente a disponibilidade dos sucessores. Encontram-se diferenças significativas entre os progenitores e os herdeiros no que respeita ao grau de concordância atribuído à maioria dos fatores, sendo que os sucessores apresentam níveis de discordâncias mais elevados que os progenitores. Finalmente, a partir dos resultados da pesquisa, são feitas algumas sugestões sobre o processo de herança e o desenvolvimento das empresas familiares, incluindo um plano de herança prático e flexível, que substitua um processo de decisão meramente intuitivo, que permita melhorar a compreensão entre as partes, integrando o saber teórico e a validade prática.

Palavras-chave: empresas familiares; herança intergeracional; seleção de herdeiros; conflitos de herança; estudo empírico

JEL: M12; M13

摘要

改革开放40年以来，中国涌现出500多万家民营企业，这些企业普遍采取家族管理模式，亦称为家族企业。如今，发展壮大的家族企业已成为中国民营经济发展的重要推动力；与此同时，随着家族企业的创始人陆续临近退休，他们的家族企业也不可避免地迎来代际传承的阶段。为了在“家业”和“事业”之间求取平衡，企业家们面临继承人选择和传承过程冲突的现实问题。由此，本文以中国江浙一带的中小民营企业作为研究对象，针对代际传承问题，研究影响家族企业在位者选择继承人和继承人继承意愿的因素，以及导致传承过程产生冲突的原因。

回顾国内外的文献及理论，本文首先梳理了继承人选择和传承过程的影响因素，分析家庭关系和家庭氛围对传承过程的影响。为支持后续章节通过实证研究分析家族企业传承问题，本文还整理了经典的家族企业继承模型，这些理论模型虽然有经过实践检验，但考虑到中国的特殊国情，特别是传统文化和社会观念的影响，模型的适用性受到了挑战。综合以上考虑，本文在 Stavrou & Swiercz (1998) 四因素理论的基础上进行改进，从个人、家庭、企业和社会的角度构建研究模型，提出研究假设，以此进行问卷设计，形成研究方案。

基于该研究方案，通过开展有关家族企业传承的问卷调查，获取作为父母辈的家族企业在位者意愿、作为子女辈的继承人意愿，以及双方在传承问题上的看法。使用调查数据，通过信度分析、逻辑回归分析、独立样本 t 检验等方法，从各个层级验证研究假设，分析影响在位者选择继承人的因素，影响继承人继承意愿的因素，以及导致双方产生冲突的核心原因。

根据实证分析结果，四因素在两类受访群体呈现出不同程度的影响，其中企业因素对继承人继承意愿的影响不显著；此外，两类受访群体在多数二阶因子问题的看法上有显著差异，而且继承人倾向于反对在位者的观点。根据以上结论，本文针对家族企业的顺利传承和避免冲突设计综合解决方案，涉及家族企业的传承计划与沟通机制，继承人的培养与评价制度，提出增进双方的意愿与参与度的建议，从而体现研究的理论价值和现实意义。

关键词：家族企业；代际传承；继承人选择；继承意愿；实证研究

JEL: M12; M13

Acknowledgements

As time flies by, the thesis has been finished eventually. Looking back, my mind is filled with a myriad of thoughts and ideas. First, I would like give my appreciation to the UESTC-ISCTE doctor in Management Program provided by University of Electronic Science and Technology and ISCTE - Instituto Universitário de Lisboa (ISCTE-IUL). This program gave me such a learning opportunity to further expand my knowledge structure.

I sincerely thank my supervisor Prof. Elizabeth Reis from ISCTE-IUL, and co-supervisor Prof. Wang Bingjie from UESTC. Your patient guidance and meticulous training have enabled my thesis to be successfully completed; your rigorous Research attitudes and strong professional skills have made my thesis more refined; your selfless teachings and the spirit of seeking truth deeply touched me and inspired and benefit me for a lifetime.

I am grateful to the classmates of 2013 session. When difficulties challenge me once and again in the process of writing, it is the encouragement and help from them that keeps me going, and make me feel like living and studying in a warm family. At the same time, I would like to thank to my family, for their understanding, support and tolerance on the road to study; for your companionship and dedication to warm me up.

Studying after daily work is not a easy thing, especially for years. Here I want to thank again to the teachers, classmates, friends, family and who gave me great encouragement, concern, support and help. In the future, I will continue to maintain the presious spirit of truth-seeking and pragmatic learning on my own work, and use my knowledge to contribute to the prosperity of the China's economy and society.

致谢

时间弹指而过，转眼已是论文成稿时。回望论文过程的点点滴滴，思绪万千，是感激更是感动。感谢电子科技大学—葡萄牙里斯本工商管理大学合作管理学博士学位教育项目给了我们这样一个学习的机会，感动于项目组所有老师在我们学习中给予的关心和帮助。由衷感谢我的两位论文指导老师：电子科技大学的王冰洁教授和葡萄牙里斯本工商管理大学的 Elizabeth Reis 教授，是你们的耐心指导和精心培养让我的论文顺利完成，论文中的每个章节都凝聚着你们的汗水和心血。感谢我的中方导师王冰洁教授，是您温柔的言行和精湛的学术能力让我放下对论文的紧张感，收获一份踏实的研学之心；感谢我的外方导师 Elizabeth Reis 教授，是您严谨的研究态度和强大的专业技能让我的论文更加精致。两位导师无私的教诲，求真务实的研究精神深深感动着我，激励着我，令我受益终身。

感谢2013级的同学们，感动于同学们不抛弃不放弃的求学精神。在论文写作过程中，困难重重几欲放弃，是同学们的鼓励和帮助让我坚持下来。这是一个温暖的大家庭，感谢一路有你们。更感谢我的家人，在我求学之路上给予的理解、支持与包容，是你们的陪伴与付出成就了我这次难得的学习机会。

工作之后的求学之路并不轻松，但是我们坚持下来了，再次感谢一路上给予我莫大鼓励与关心，支持与帮助的老师、同学、朋友及家人，你们是我人生最大的财富。在以后的工作中，我将继续保持求真务实的学习精神，立足本职工作，学以致用为祖国经济的繁荣做出自己应有的贡献。

Contents

Chapter 1: Introduction.....	1
1.1 Research background and significance.....	1
1.2 Research content.....	3
1.3 Research method.....	6
1.4 Content organization and structure.....	11
Chapter 2: Relevant Literature and Theoretical Overview	15
2.1 Family business inheritance process and the choice of successors	16
2.1.1 The inheritance process of family business	16
2.1.2 Influencing factors of successors' choice	19
2.1.3 The cultivation mode of successors	23
2.2 The inheritance of family business from the perspective of family	26
2.2.1 The influence of family relationship on the process of inheritance.....	27
2.2.2 The impact of family structure and family atmosphere	30
2.2.3 The influence of the traditional system of family property succession	32
2.3 Related theoretical models of family business inheritance	35
2.3.1 The models of intergenerational inheritance of family businesses.....	35
2.3.2 The four-factor theory of intergenerational inheritance.....	42
2.4 Summary of this chapter.....	44
Chapter 3: Research Plan Design	47
3.1 Questionnaire design	47
3.1.1 Description of problems.....	47
3.1.2 Questionnaire assumptions and variable definitions.....	49
3.1.3 Questionnaire design.....	59
3.2 Questionnaire content	64
3.2.1 Questionnaire respondents	64
3.2.2 Questionnaire process	65
3.2.3 Basic information of respondents	65
3.2.4 Status of the family business.....	69
3.3 Summary of this chapter.....	70

Chapter 4: Data and Empirical Analysis	73
4.1 Data preprocessing and descriptive statistics	73
4.1.1 Reliability analysis	73
4.1.2 The willingness of two sides	74
4.1.3 Difference analysis	81
4.2 Analysis of factors influencing the selection of family business successors	82
4.2.1 Relevant factors influencing the willingness of incumbents	82
4.2.2 Relevant factors influencing the willingness of successors	85
4.2.3 Difference analysis	88
4.3 Analyzing the factors influencing the conflict in the inheritance process	89
4.3.1 Analyzing core factors causing conflicts	89
4.3.2 Analyzing the conflicts in item level	90
4.4 Summary of this chapter	99
Chapter 5: Solutions to Smooth Inheritance Process and Avoid Conflicts	101
5.1 Formulate and improve the inheritance plan	101
5.1.1 Inheritance plan and communication mechanism	101
5.1.2 Successors development and comprehensive evaluation	106
5.2 Increase mutual willingness and participation	109
5.2.1 For the incumbents	109
5.2.2 For the successors	111
5.2.3 Summary of this chapter	113
Chapter 6: Conclusion	115
6.1 Main conclusion	115
6.2 Limitations and prospects	118
Bibliography	121
Webliography	128
Appendix	129
#1 Questionnaire on the inheritance of the family business	129
#2 Frequency distribution of all respondents	136
#3 Frequency distribution of incumbents	139
#4 Frequency distribution of successors	142

List of Tables

Table 3-1 Composition of subjective statements in the questionnaire.....	62
Table 3-2 Statistics of basic information of respondents	66
Table 3-3 Statistics on family structure characteristics.....	68
Table 3-4 Statistics of sample enterprises	69
Table 4-1 Descriptive statistics ^a	74
Table 4-2 Descriptive statistics ^b	78
Table 4-3 Omnibus test of model coefficients	83
Table 4-4 Model summary	84
Table 4-5 Hosmer and Lemeshow test.....	84
Table 4-6 Variables in the equation	84
Table 4-7 Omnibus test of model coefficients	86
Table 4-8 Model summary	86
Table 4-9 Hosmer and Lemeshow test.....	87
Table 4-10 Variables in the equation	87
Table 4-11 Independent-sample t-test (four factor level).....	90
Table 4-12 Independent-sample t-test (items in factor A - individual).....	91
Table 4-13 Independent-sample t-test (items in factor B - family).....	92
Table 4-14 Independent-sample t-test (items in factor C - enterprise)	93
Table 4-15 Independent-sample t-test (items in factor D - society).....	94
Table 4-16 The results of Levene test and t-test	96
Table 4-17 The statement showing significant difference between the two sides.....	97

List of Figures

Figure 1-1 The model of successor selection	8
Figure 1-2 The model of inheritance process conflicts	9
Figure 1-3 The technical route of the thesis	12
Figure 1-4 Research roadmap	13
Figure 2-1 The three-ring model	39
Figure 2-2 The four-factor theory	42
Figure 2-3 Models for family business succession	45
Figure 3-1 Empirical model diagram of family business inheritance	60
Figure 4-1 The structure of dependent and independent variables	83
Figure 4-2 The structure of dependent and independent variables	86
Figure 5-1 Proposed inheritance plan for family business	103
Figure 5-2 Proposed communication design	105
Figure 5-3 Proposed comprehensive evaluation system towards the successor	108
Figure 5-4 Advices for promoting the willingness of the incumbents	109
Figure 5-5 Advices for promoting the willingness of the successors	111

Chapter 1: Introduction

1.1 Research background and significance

At the beginning of the birth of human society, Family Business is the most common form of corporate organizations. According to Nicolas, George, and Alain (2012), worldwide family businesses account for more than 30% of all companies with sales over \$1 billion. Since 2008, family business sales have grown at a rate of 7% per year, which is higher than 6.2% for non-family businesses. According to region, about 15% of the top 500 US companies are family businesses. In Europe, 40% of listed companies are still family business shares. Southeast Asia has more than \$1 billion family business which accounts for about 85%, while about 75% of Latin America, about 67% of India, about 65% of Middle East, about 40% of China, about 35% of Sub-Saharan Africa, and the number of family businesses are expected to increase in the future (The Economist, 2014).

In mainland China, although enterprise organizations that correspond with the definition of modern enterprises have gradually sprouted with the China's reform and opening up, the early entrepreneurs were still constrained by the planned economy with insufficient information channels and limited access to related resources. This makes them neither dare to do business alone nor easily trust others, just relying on the power of the family. They obtained the start-up funds from the accumulated wealth of their families by replacing contracts with trusts, thus forming the first group of family businesses since the reform and opening up came into being. In the past 40 years, private enterprises have achieved rapid development, in which the family business as the main component, have become the key driving force of the national economic growth and social progress. At present, in terms of the management mode of Chinese private enterprises, whether it is the ownership structure, the distribution of the decision-making power, or the degree of family participation in daily management, the characteristics of family management modes can be fully illustrated.

In China, about 90% of private enterprises adopt the mode of family management, and 90% of relatively successful enterprises established by Chinese nationals in the world fall into the category of family businesses (Xiong, 2008). According to the Comprehensive Report on the Survey and Analysis of China Seventh Private Enterprise Sample Data (2006), firstly, regarding the ownership structure of Chinese private enterprises, the average proportion of

private entrepreneurs in owners' equity is about 70%. Although the enterprises are growing gradually, their principal positions have not changed significantly; Secondly, in terms of the decision-making power of the businesses, about 90% of Chinese private enterprise owners concurrently serve as presidents or general managers of enterprises. Lastly, regarding the involvement of family business members (i.e. relatives of private entrepreneurs) in enterprise management, the proportion of family members is more than half of the top managers of the enterprises (here specifically refers to the listed enterprises).

Although family businesses are the main manifestation of enterprise organizations in the world today, its continued growth has always faced severe challenges of inheritance due to various reasons. According to Beckhard and Dyer (1983), the average running duration of family businesses worldwide is about 24 years, and the proportion of family businesses that can continue to the second generation is 30%, the ration is only 10-15% to the third generation, and the proportion passed down to the fourth generation is as low as 3%. The 7th Report on the Development of Private Enterprises in China published (Chinese Private Enterprise Research Team, 2008) also points out that the average life span of private enterprises in China is only about three years, about 60% of them declared bankruptcy within 5 years, and the proportion of extinction in 10 years even reached at 85%.

Nowadays, the first generation of private entrepreneurs born in the early days of reform and open have generally been close to 60 years old. With their energy declined and the sensitivity to the knowledge structure of the market responded not as good as before, they are facing a realistic problem of finding successors. Furthermore, the process of handover and transfer of wealth are not always smooth. In 2003, for example, Haixin Iron & Steel Group had grown into a local pillar enterprise with assets over 4 billion yuan, but its chairman, Li Haicang, was accidentally assassinated at the end of the same year. Li Zhaohui, his son, aged 22, was forced to take over the business as the board chairman of Haixin Group. As a result, within 10 years the Haixin Group went bankrupt and reorganized because of insolvency. In November 2004, Wang Junyao, the chairman of the Junyao Group, died and Wang Junjin, his second younger brother, had to succeed him as the board chairman in a short time. In May 2005, the sudden death of Chen Yifei (founder of the Yifei Group) due to illness, left behind an unfinished business to his family.

Due to the important position of family businesses, whether the inheritance can be carried on smoothly or not is not only related to the sustained and stable economic growth, but also related to people's livelihood, employment and social stability. Therefore, the issue

of family inheritance has always been the focus of attention of all parties. Unfortunately, although most research focused on this field, studies on the mechanism of inheritance are still relatively shallow, being difficult to effectively solve the worldwide problem of family business inheritance (Wang, 2010). Therefore, more and more researchers are beginning to examine the present topic, some believe that the selection of successors is also a big problem. It is difficult for family businesses to escape the doom of “the family’s wealth cannot be sustained over three generations”, the fundamental problem lying in the selection of successors and the handling of conflicts in the course of inheritance (Lin, 2017).

Because of historical reasons, Chinese family businesses have no experience to follow, and they face many urgent problems to be solved in the process of inheritance, such as property rights, corporate management structure, strategic planning, development model, intergenerational inheritance, etc. Furthermore, the children’s generation as a potential successor to the family business, the willingness to take over is a major reason that affects the inheritance process. Exploring the main factors affecting the successor’s will not only be beneficial to the training and selection of successors, but also is a breakthrough to resolve the conflicts in the process of inheritance. This study will focus on the selection of successors of Chinese family businesses, draw on the beneficial achievements of relevant literature, organize and classify the possible influences and conflict factors in the process of family business inheritance according to the four-factor theory (Stavrou & Swiercz, 1998), design the questionnaire, carry out the field investigation, then carry out the empirical analysis, explore the relatively prominent factors among them, analyze the correlation among various factors, and finally put forward a feasible managerial solution.

Therefore, this study focuses on how to select a qualified successor for the purpose of family business succession, analyze the influencing factors, mechanism and concept conflict of family business inheritance. Then, it analyses the causes of conflicts and the solutions to them. This thesis intends to present solutions for family companies to achieve the smooth and successful transfer of business leadership, thus solving the outstanding problem of intergenerational inheritance to ensure the sustainable development of family businesses. Consequently, it promotes China’s social stability and economic development.

1.2 Research content

The pursuit for the long-term success and the perseverance of the family business is eternal, the paradox between the desire of the will and the short life of the enterprise in reality attracts

a large number of scholars. Since the birth of family business, the issue of inheritance has always been the focus of attention (Handler & Kram, 1988). Most of the early studies on family business inheritance were aimed at resolving obstacles in the process of family business inheritance, such as retirement barriers of family business leaders who are not willing to withdraw from the historical stage (usually the leaders are the founders of the family business), and the family conflicts making their children unwilling to take over, etc. (Jia, Dou, & Wang, 2010). There are also some authors who make a general description of how to manage the inheritance of family businesses to avoid conflicts (Barnes & Hershon, 2004; Wu, Ge, & Zhang, 2018); Dimsdale (1974) mainly expounds the importance of the inheritance plan, the outside intellectual resources, the successors training and selection, as well as other smooth inheritance factors.

Scholars are accustomed to focusing on the process of inheritance from the identification of successors to the gradual consolidation of their own power. Indeed, in the development process of any enterprise, the transition period between old and new leaders and the new and old management methods is the most unstable time. This stage concentrates many conflictual issues, and it is very worthy of attention and has a high research value. However, there are still some limitations in this entry point of the research, due to the background of successors, the will of successors, as well as the relationship between successors and entrepreneurs, are inextricably linked to the formation of conflicts and the effect of inheritance. If these factors are ignored, the practical value of the research results of family business inheritance will be greatly reduced.

Both entrepreneurs and researchers have realized that the family has a power that cannot be ignored in the process of inheritance, and it is important to bring the traditional “home” culture into the scope of research. As far as the purpose of inheritance is concerned, if the choice of successors depends on the ability and quality of their leading enterprises, which will help to realize the continuous operation of the enterprise, the purpose of this inheritance belongs to the enterprise’s ‘Built to last’ which means existing enterprises will success forever, and on the other hand, parents want to pass on the inheritance of their life. Thus, in this sense, the family business is inherited from the inheritance, and the purpose of this kind of inheritance belongs to the “Business continuity” in addition to the survival of the enterprise. Therefore, this study will discuss how to improve the inheritance effect of family businesses and focus on studying the following three issues based on the definition of the personality characteristics of entrepreneurs: family businesses, family relationship, inheritance and

conflicts. This will be followed by a focus on the following three aspects of the problem.

(1) Factors that influence the choice of successors of family business

As a family business in a private economy, sustained growth is its strategic focus and finding a leader suitable for each stage of development as a successor is the key to achieving sustained growth. To observe Chinese family-owned businesses, “successors continuity” generally focuses on the “Built to last” because the inheritance is not only the outcome of Chinese family businesses, but also the traditional phenomenon in Chinese society. Currently, in order to inherit the business, it is easy for the founder of the family business to ignore the children’s ability of management and their willingness to inherit. They just pass on their own industry to their most beloved children. With the arrival of the economic globalization, the competitors of enterprises have become worldwide. Family businesses in China has its unique conflict point: “Built to last” or “Successors continuity”? The concrete decision is whether the incumbent chooses the child as the successor or not. In order to ensure the smooth inheritance of family business and make the best decision, it is necessary to identify the important factors that affect the choice of successors.

(2) Factors that affect the willingness of successors of family business to inherit

The issue of the inheritance of family businesses is related both to the wishes of the incumbent and to the personal thoughts of potential successors (children). For the successors of the family business, their willingness to inherit from the family business varies from one factor to the other. The willingness to inherit, that is, the degree to which the successors show a strong intention to become a new generation of business leaders, or the desire to take over the business. Therefore, it is also necessary to study their willingness to inherit from the perspective of potential successors and to analyze what the influencing factors of that will be.

(3) Causes of conflict in the process of family business inheritance.

The founders of the first generation are under pressure to hand over their power to the second generation, including their health and enterprise development. Furthermore, many factors are restricting the smooth inheritance of power. First, from the founders’ point of view, how to find a suitable successor is what they need to consider, as they generally do not trust outside professional managers. Second, the founders’ influence on the enterprises is so deep-rooted that the successors need to inherit not only their power, but also their management style and corporate culture; otherwise the enterprises may fall into a crisis of development because of the power change. From the successors’ point of view, they have to

be successors for the sake of family mission, however, they want to follow their own management style and will. The two generations may have very different ideas and management styles. Therefore, how to coordinate the inheritance conflicts caused by individual differences will affect the survival and development of enterprises. In order to resolve this dilemma, it is essential to understand the root causes of the contradiction in the process of inheritance.

1.3 Research method

The research method used mainly includes theoretical and empirical research methods.

(1) Theoretical research

As one of the basic modes of modern enterprise management, family businesses have attracted extensive attention from scholars domestic and abroad. Many theories have been formed through these long-term researches. The primary work of theoretical analysis is to sort out the frontier issues of theoretical research and practical concern. By reviewing and summarizing the literature, this research shows a basic understanding and grasps of the development context, the main content and research frontier of family business inheritance theory, as well as gains an in-depth understanding of the current situation of family business development in China. Thus, it puts forward a cognitive foundation for the presentation of the research questions of this thesis.

In the literature review, this study mainly focuses on the inheritance of Chinese family businesses under the influence of family culture and ethics, including the inheritance purpose, the selection of successors, and the inheritance model, as well as summarizes and analyzes the existing theoretical models. In connection with the traditional Chinese cultural background, an inheritance model suitable for the characteristics of Chinese family businesses is introduced, in order to achieve two objectives: the selection of successors and the handling of conflicts in the process of inheritance.

The related research is based on the agency theory which is able to make decisions and actions on behalf of another entity and the resources-based view which is used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage, trying to gain an in-depth understanding of family businesses, but in general, the family system which determines the essential difference between family and non-family businesses is still like a “black box” that is difficult to open. In the field of family business inheritance research,

the complexity and dynamics of the family system make it difficult to enter the empirical research process and increase the difficulty of the research. With a view to the characteristics of family business, the feasible way of empirical research are as follows.

With regard to the related research on family businesses, there is a general lack of rigorous analysis and verification of the relationship between the family system and the enterprise system by summarizing related literatures. there are problems such as the generalization of the object of discussion and the divorce from scenario factors, which makes it difficult for researchers to grasp concepts and unfold empirical research. Therefore, following the idea of inheritance research based on family characteristics, operable variables should be extracted that can depict family and enterprise system characteristics, to achieve higher conceptual maneuverability and research feasibility. Based on the research problem, the empirical study fixes the research scenario to the family business inheritance and chooses the family structure and family relationship variables to describe the family system, attempting to respectively explore the impacts of family structure and family relationship on family business inheritance.

In terms of the research methods, both standardized and rigorous research methods are adopted. The existing studies of family businesses are often limited to extensive discussions and controversies, which can only explain which family characteristics can lead to the directional change of outcome variables, but it cannot explain the scope of change and other related content. It is usually difficult for these studies to separate the family factor from other influencing factors and explain exactly the degree of the family factor's influence on outcome variables and its action mechanism. In this case, it is considered to use an empirical research method to reveal the essential impacts of the family factor by shielding other factors. Based on the research questions of this study, it can further improve and perfect the relevant results by using more standardized and rigorous research methods.

(2) Empirical research

Empirical research refers to the research approach that allows drawing universal laws from empirical facts through scientific induction, and then deduces some preliminary conclusions through logical deduction method, and finally tests these conclusions (or laws) through real data. Apparently, the scientific nature of existing theories or the research hypotheses derived from these theories need to be tested empirically. In the empirical part of this thesis, relevant methods are also be adapted to test the scientific nature of various hypotheses put forward in the conceptual model and draw the conclusions from the empirical

data.

The empirical research methods used in this thesis is analysis of primary data collected by a survey using a structured questionnaire. Based on the collected sample data, statistical methods are used to test the research hypotheses and estimate the research model. Therefore, while testing whether the conflicts between parents' inheritance willingness and children's inheritance willingness have an impact on the effect of family business inheritance, the method of questionnaire and hypothesis test are used to verify whether the research hypothesis is reasonable or not, and the conflicts of corporate culture in the successors selection and inheritance are mainly studied, as shown in Figure 1-1. The first-generation entrepreneurship is faced with the choice between internal and external inheritance, in which internal inheritance refers to handing over the company to their children, while external inheritance refers to finding professional managers to manage the company. The choice of the first-generation entrepreneurship is influenced by their individual values and enterprise development objectives, which in turn are influenced by Chinese culture to some extent.

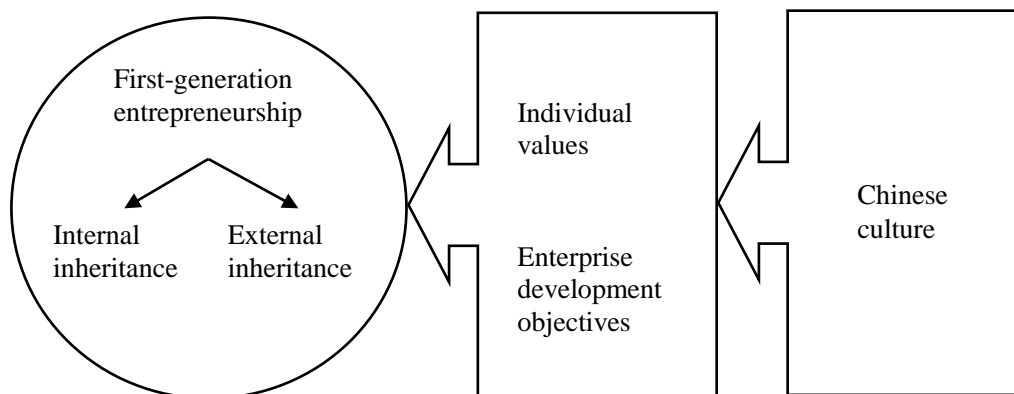


Figure 1-1 The model of successor selection

Influenced by the traditional Chinese family culture, parents are most willing to leave their business to their children. However, if there are more than one child, who should be chosen? “The beloved” or “The virtuous and talented”. It is difficult to make a choice. In addition, whether the children are willing and able to inherit the family business is another question. The conflict between the reality and the ideal situation cannot be avoided by entrepreneurs. After the selection of the successor, in the course of inheritance, due to the differences in the age background, educational experience, life experience and the way of life and values, the two generations will have very different management styles and ways of doing things. Therefore, conflicts would inevitably occur in the process of inheritance, as shown in

Figure 1-2. The personality, values and management style of the first-generation entrepreneurship, as well as the personality, capability, will and values of the successor of the second generation are all influenced by the enterprise culture and Chinese culture. If both generations identify with these cultures, the succession process will be smooth. Otherwise, if two generations do not identify with these cultures, there will be conflicts.

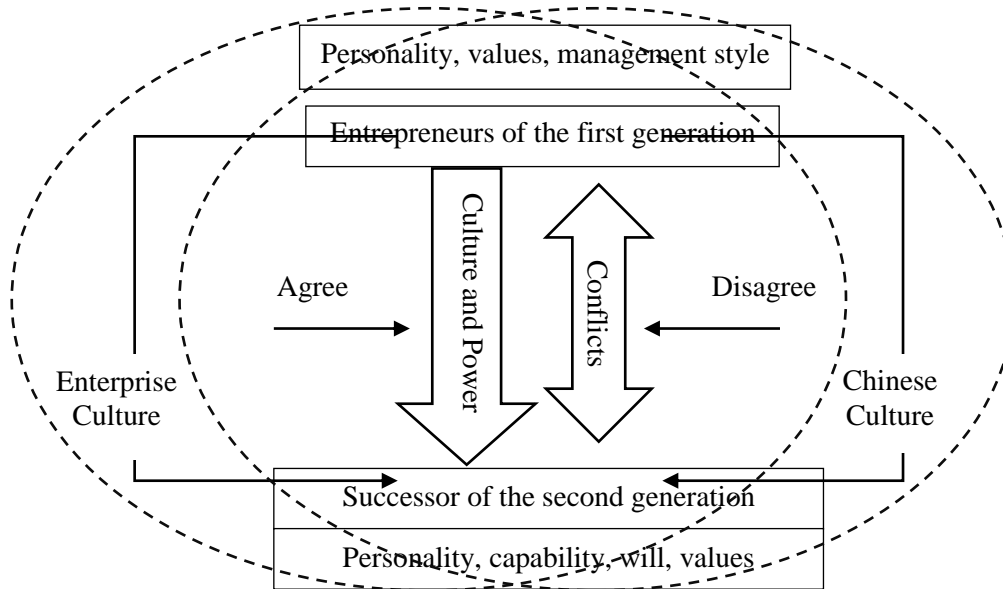


Figure 1-2 The model of inheritance process conflicts

The empirical analysis of this study is based on primary data collected with a survey that uses a structured questionnaire and different methods of statistical analysis.

- Questionnaire

Questionnaire is an important instrument of empirical analysis, which directly affects that whether the following part will be smoothly conducted or not. Thus, the scientific design of the questionnaire and interface friendliness is the fundamental guarantee for obtaining valid and reliable data. If the structure of the questionnaire and the design of the questions are user-friendly and precise, it is helpful for the respondents to enter the state of filling out the questionnaire quickly, so as to ensure the authenticity, integrity and availability of the survey data, and directly affect the scientific nature of the research conclusions.

Therefore, based on the relevant literature, a questionnaire is designed that conforms to the study objectives. The questionnaire was distributed mainly online, with a few being applied face to face. The studied population is the incumbents and their children in family businesses from Zhejiang and Jiangsu provinces, and. The two provinces were chosen

because they have the most active private economy in China. Specifically, according to a recent report (Huajing Consulting, 2019), the small and medium-sized enterprises (SMEs) in east China account for 58.2% countrywide, and the majority of them are from Zhejiang and Jiangsu provinces. In this sense, the pattern of family businesses in Zhejiang and Jiangsu can reflect, to some extent, the development direction of family businesses in China.

The questionnaire is divided into two parts and is shown in the Appendix: basic information of family business, development and inheritance plan (succession will) of family business. The first part includes the information of the respondents (successor or incumbent, age group, gender, education background, study experience abroad, work experience in the family business), family composition (only child, number of brothers and sisters, seniority among brothers or sisters), and the basic situation of the family business to which they belong (industry, type of family business, amount of registered capital and number of employees). The information in this first part is mainly measured by objective data. The second part of the questionnaire collects information on the development and inheritance plan (succession will). This part includes 48 items/statements and respondents are asked to identify their agreement level using a 7-point Likert scale, with 1 meaning Extreme disagreement and 7 Extreme agreement. This questionnaire is designed for respondents that are in the process of transmission (or is about to inherit) of the family business, so the respondents' enterprises must meet "the definition of family business" (A commercial organization in which decision-making is influenced by blood or marriage or adoption) and "waiting for the development stage of inheritance", the two qualification conditions for the company to be included in the sample. In terms of the respondent's choice, because of the description of the family relationship involving the owner of the family business, the respondent (for each respondent, both his/her name and company are anonymous to the author) is required to be a relevant person in the family business, such as the incumbent (parents) and potential successor (children). For the former, respondents are required to meet at least two of the following three conditions: the individual, the core family or family control the family business; in terms of the latter, at least one family member (relative) of the respondent is required to work in the management of the family business.

- Statistical analysis

Based on the collected survey data, statistical analysis tools such as Excel and SPSS are used. The statistical analysis of this study includes three parts:

- The first part is the descriptive analysis of the respondents' sociodemographic

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance
characteristics and the current situation of the family businesses, as well as an exploratory analysis of the will of the successors and incumbents of the family businesses (frequency distribution);

- The second part is the analysis of the influencing factors of the selection of family business successors, mainly using descriptive statistics (frequency distribution, means and standard deviations), reliability analysis (Cronbach α coefficient) and logistic regression modeling;

- The third part is analysis of ideas and conflicts in the process of family business inheritance, mainly using independent-sample t-test for equality of two population means.

The technical route of this thesis is shown in Figure 1-3. The main approach of this thesis is “problem asking-solving”, which is based on the research background and literature review. In order to solve the research problem, the model of family business inheritance, and the research plan towards the conflicts in the successor selection and inheritance process, are proposed to answer the three objectives:

- The analysis of the influencing factors;
- The analysis of the conflict factors;
- The impacts of the two previous type of factors on the selection of the successors of Chinese family businesses, and finally draw the research conclusion.

1.4 Content organization and structure

The following three questions are answered in this thesis:

- How is the selection of the successors of family businesses carried out?
- Which are the factors that influence the inheritance of family businesses?
- Which factors explain the conflicts in the process of intergenerational inheritance.

The structure of the research is shown in Figure 1-4.

As an introduction part, the first chapter mainly introduces the research background and significance of this research, defines the research problem and research question, and presents the organization and structure of the thesis.

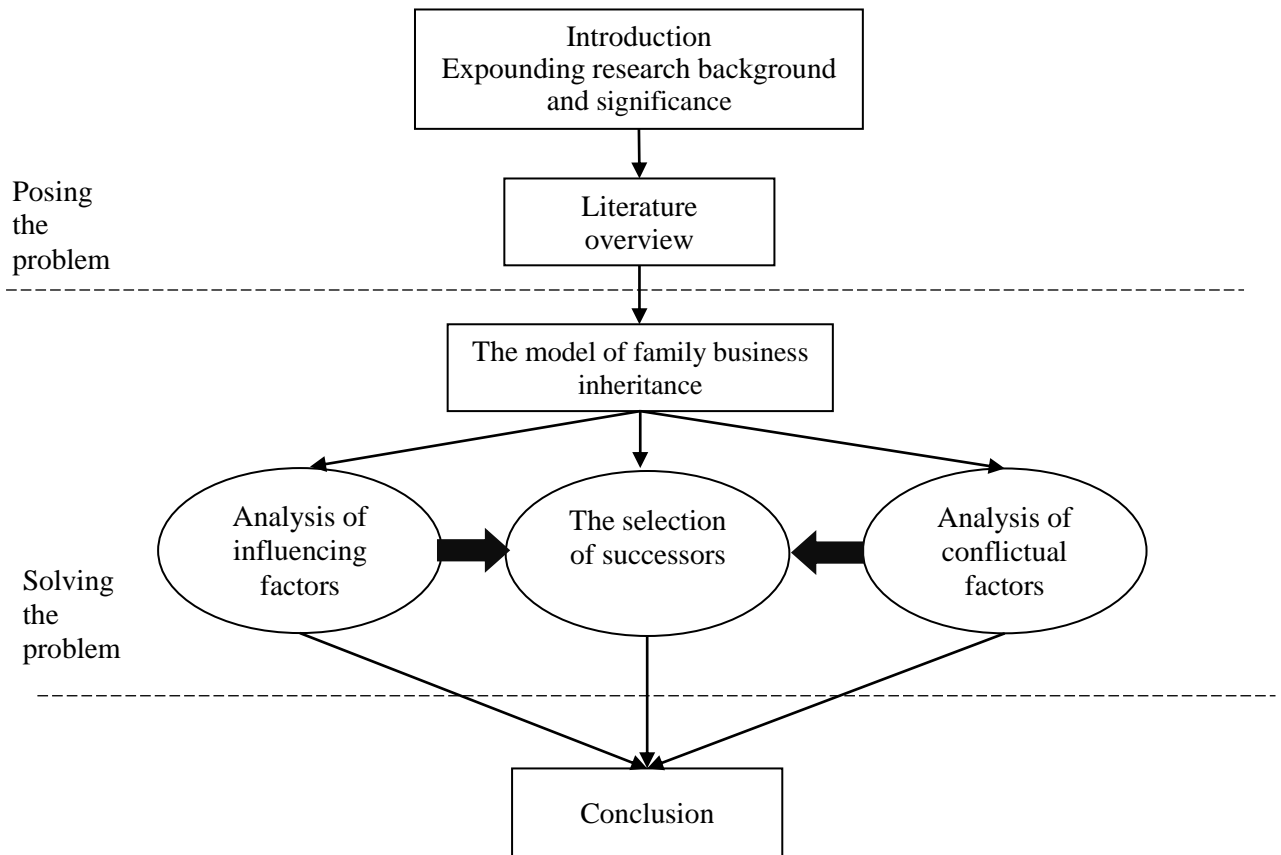


Figure 1-3 The technical route of the thesis

The literature is reviewed and analyzed in the second chapter. Focusing on the research of family business inheritance, this chapter reviews and summarizes the existing literature. Firstly, it is presented the research based on the inheritance process, including the influence factors of successor selection, the decision-making style, the influencing factors of the inheritance process and the training mode of successors. Secondly, there is a presentation of the research based on the family perspective, including the impact of family relations, family structure and family environment on the inheritance process, as well as the impact on the traditional inheritance system of family business. Finally, the theoretical model of family business inheritance is shown.

According to the four-factors theory (Stavrou & Swiercz, 1998), the third chapter involves the three aspects that affect the choice of successors of family business, the intention of successors and the conflicts arising in the inheritance process and puts forward the research hypothesis. The research method includes the questionnaire survey to obtain the information of the respondents in detail, the current situation of the family businesses, as well as the views of the incumbent and successors, are also presented in the chapter.

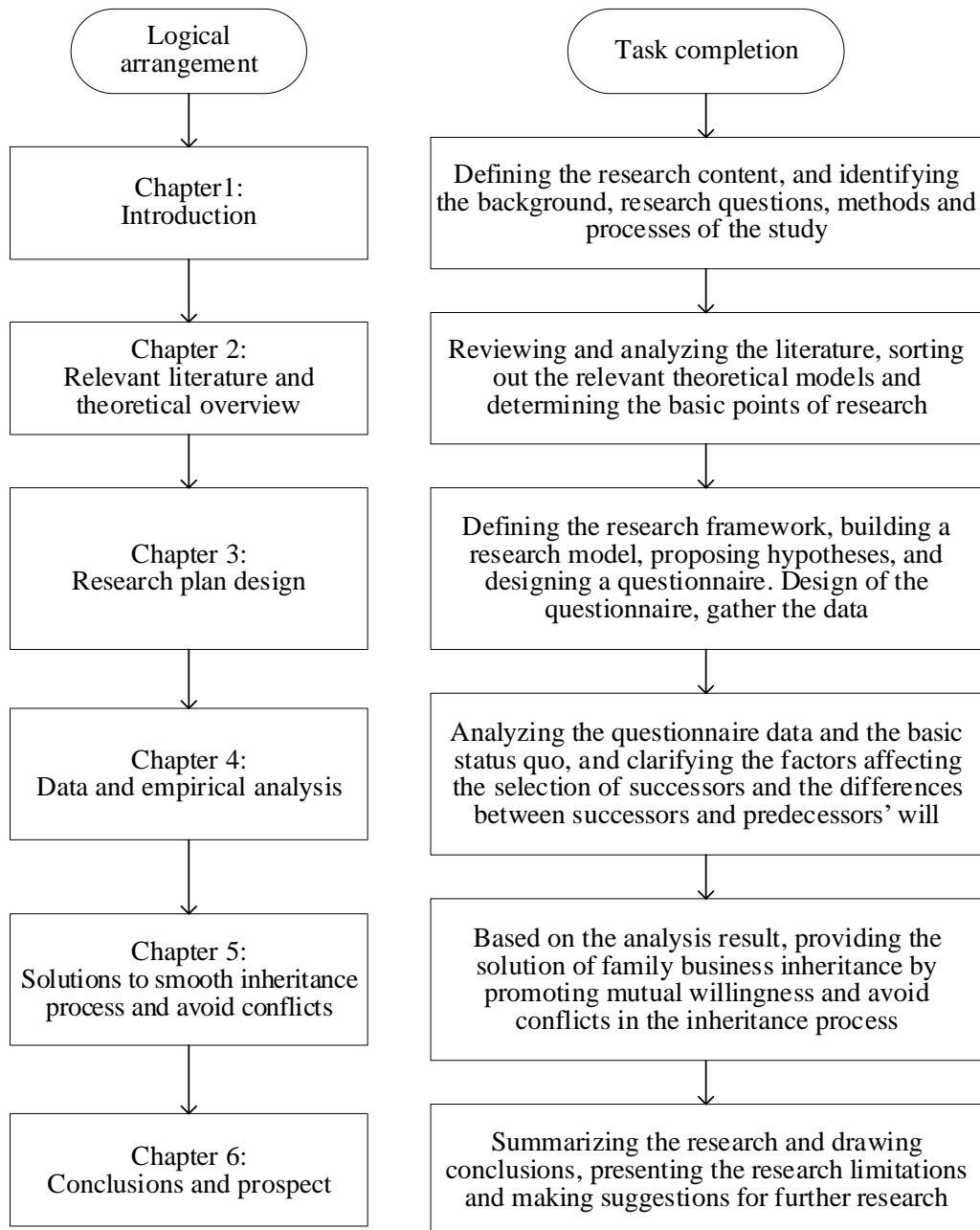


Figure 1-4 Research roadmap

The fourth chapter, based on the results of the questionnaire survey, makes a statistical description of the views of successors and incumbents on the willingness of family business inheritance, uses statistical analysis methods to evaluate the factors that affect the selection of successors and the causes of conflicts in the succession process.

In the fifth chapter, solutions to smooth the inheritance process and avoid conflicts are proposed. By analyzing in detail, the factors that affect the choice of successors and the willingness to inherit, and the respective causes, some suggestions are given to achieve a smooth inheritance of family businesses, the enhancement of successors' willingness to

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance
inherit, and the avoidance of conflicts between the children's generation and the parents' inheritance willingness.

The main conclusions of this study are presented in the sixth chapter. Besides, the limitations of this research are discussed, and directions for future research are also proposed.

Chapter 2: Relevant Literature and Theoretical Overview

Among the related researches of family business, the research on family inheritance arouses more and more attention in the academic field, the reason is that “inheritance” determines the survival and development of family business (Nelson & Constantinidis, 2017). In recent years, there have been many studies on the inheritance of family businesses, and the problems in the process of family business inheritance have been reviewed and analyzed from different perspectives. Through researches of statistical analysis published in the authoritative journal “Family Business Review” from 1988 to 1997, Dyer and Sanchez (1998) find out that about 20% of the papers are related to the study of inheritance. Chrisman, Chua, and Litz (2003) systematically sort out 190 papers on family business with significant influence published from 1998 to 2003, also finds out there are about 22% of the papers taking inheritance as the primary research topic and about 8% taking it as the secondary topic. Wan (2014) summarizes and analyzes the research contents of 1009 literatures on the influencing items of family inheritance in the 1978-2012 years. Cisneros, Ibanescu, Keen, Lobato-Calleros, and Niebla-Zatarain (2018) summarize the SSCI and SCI literature on the inheritance of family businesses during the period 1939-2017 so as to analyze and construct the research network. It can be said that inheritance is a key issue in the operation and management of family businesses.

The inheritance of family inheritance is regarded as an accidental and isolated “event” in the early stage of researches. Family businesses are the user of talent, rather than the cultivator of talent, and the fundamental purpose of which is to find out the “effective successor”. Therefore, early researchers used to draw the basic features of effective successors from the clinical data of consulting institutions and explored the successful inheritance model by analyzing and summarizing the best practical experience of family businesses. Based on the research on the inheritance model of family businesses, some literatures also study the influencing items of the selection of family business successors, the items of affecting the inheritance process, the selection methods of successors, the training mode of successors, etc.

In addition, it should be noted that the inheritance of Chinese family businesses has both the common characteristics of all countries and the individual items under the special national

conditions and the historical culture of China. This phenomenon mainly originates from the distribution system of family property referred to as “the equal distribution of family property among all children” in ancient China, as well as a complete system of modes and institutions developed from this. This system has a long-lasting cultural foundation and a deep-rooted ideological origin, reinforcing the Chinese family concept, and forming a unique “ethical sectionalism”. Even now, the traditional inheritance system of family property is still widely used among Chinese family and Chinese family businesses.

Based on the consideration of the above two aspects and combined with the research subject of this study, this chapter mainly summarizes and analyzes the relevant research from three aspects of the family business inheritance at home and abroad: (1) research on the inheritance of family businesses based on the inheritance process, including the inheritance model of family businesses, the selection of successors, the cultivation mode of successors, the research on the influencing items and conflict items in the process of inheritance, etc.; (2) research on the inheritance of family businesses from the perspective of family, including family characteristics, family function, family system, family atmosphere and traditional inheritance system of family property. (3) the theoretic model of family business inheritance, mainly including the four-actor theory, life cycle model, seven-stage succession model, etc., among which the four-factor theory is the main theoretic model used in this thesis.

2.1 Family business inheritance process and the choice of successors

The inheritance process is a common cut-in point of research on family business inheritance. According to the content involved in the process of family business inheritance, this thesis summarizes the relevant literatures according to the research of family business inheritance process, the influencing items of successors selection, the training mode of successors, etc.

2.1.1 The inheritance process of family business

Because the family business is influenced by social culture, family culture and governance structure, it has qualitative differences in corporate governance, organizational behavior, competition, innovation and entrepreneurship and inheritance compared with public companies. Among them, the intergenerational inheritance of family businesses involves the changes of family business founders and their descendants in power relations and enterprise strategy. Zhao (2013) points out that earlier research on family business is carried out from the perspective of “event view”, that is, the power change in the family business suddenly

occurs, and thus the focus of family business inheritance research is on the process of how to stabilize the successor's power. With the development of theoretical and practical research, Longenecker and Schoen (1978) first propose the idea that "the inheritance process of family business is a long-term socialization process", which believes that the behaviors of the incumbents and successors are influenced by a few factors. Since then, the concept of "process view" has gradually been recognized instead of "event view".

Different scholars have different emphasis on the inheritance process of family business from "process view" and different criteria for the stage division in the process of inheritance. Wang, Dou, and Jia (2008) divide the inheritance process of family business into three stages: (1) the successor enters the family business; (2) the parent and the child commonly manage; (3) the handover stage. Daspit, Holt, Chrisman, and Long (2015) studies the inheritance of family businesses from the aspects of multi-stage and multi-stakeholder, the former considering three stages, such as rule making, successors training and formal inheritance, the latter considering the exchange between the incumbent and the successor, the family member and the outside of the family from the point of view of social exchange. Clinton, McAdam, and Gamble (2018) use a longitudinal multi-case study approach. The cross-generational development of the cross-generational entrepreneur family (TEF) over a period of four years is studied to analyze the relationship between the TEF business model dimensions (resources, finance, infrastructure, stakeholders and values). Michel and Kammerlander (2015) discuss the potential benefits and shortcomings of the involvement of trusted consultants in the four phases of the trigger, preparation, selection and training during the succession planning process, and outlines how trusted consultants could do to mitigate and improve agency costs, in particular the divergence of objectives. From the perspective of the entrepreneurial process, Nordqvist, Wennberg, Bau, and Hellerstedt (2012) find that the entry of new owners and the withdrawal of old owners are related to the search for new business opportunities, as well as emphasize the need to focus on the transfer of ownership rather than just management succession and the importance of carefully defining inheritance and family business. Churchill and Hatten (1987) divide the process of inheritance of family business into four stages: (1) The independent entrepreneurial stage of the family business, (2) the training and development stage of the successors of the family business, (3) the joint management stage by the incumbent and successor, (4) the inheritance stage of the power and responsibility, including the continuous inheritance of the next generation.

Michel and Kammerlander (2015) define the succession of family business as the

replacement or transfer of enterprise management and control power from one generation to another, and based on findings on the inheritance of Albanian family businesses, they analyze the current situation and the problems faced by families in relation to inheritance. Cesaroni and Sentuti (2017) study some soft issues in the process of family business inheritance by taking 15 family businesses in Italy as a sample and find that while people are concerned about the inheritance of family businesses, they are more likely to seek for advice and help in private instead of outside. Cater and Kidwell (2014) put forward a dynamic model that affects the overall effectiveness of the succession team in the process of family business inheritance and shows that excessive competition between inherited teams would hinder team effectiveness, while inheriting cooperation and trust between teams would improve overall performance. The way of inheritance of shared leadership will promote the trust between inherited teams. Shen (2018) has shown that family businesses are generally less likely to diversify than non-family businesses, but when faced with business risks, family businesses are better able to diversify. A family business with a second-generation involved in management is more likely to diversify than a family business that does not have a second-generation involvement. In order to improve the inheritance of intergenerational ownership and the subsequent prosperity of the company, Sund, Melin, and Haag (2015) propose an alternative method of ownership inheritance, taking into account the legal, financial, psychological and other items of ownership. In the economic environment of China, Weng and Chi (2019) find that when the family successors inherited the whole family business, the second-generation successors are more motivated to diversify their business, at the same time political ties and the level of regional market development affect the diversified motives of the family successors. Yedder (2018) finds that human resources management could help reduce reliance on family management and the risk of family business inheritance by empowering employees and improving the organizational environment. But only if the specialization of human resources management and family management support, it is possible to achieve positive human resources management results.

Wu (2016) uses the rooting analysis in the qualitative research method to encode the behavior layer of the incumbent of the Enterprise and refines the incumbent's inheritance behavior and the characteristics of the inheritance behavior. He obtains the formation mechanism of the inheritance behavior in combination with the case analysis, divided the inheritance behavior into 3 categories, and describes the logical relationship between these 3 kinds of behaviors. Liang and Yang (2011) believe that in the process of the inheritance and

succession of family businesses, the focus is on the cultivation of the capacity of successors and the willingness to inherit, in which the inheritance of entrepreneurship is related to the sustainable development of family businesses. The trust relationship between the current and the successors, the consensus of the inheritance process and other items would affect the effect of this spiritual inheritance. Yue (2011) studies the dual subsystem structure of family businesses and proposes that family businesses are not only economic entities holding business objectives, but also ethical entities with ethical elements. This dualistic characteristic of family businesses shows different characteristics in their different stages of development, and finally, in the inheritance stage, from the dual tension between economic entities and ethical entities, it tends to form a dual compound sign that is essential and indispensable for the long-term development of family businesses, ethical and economic. Carney (2010) adopts three kinds of doctrine: frugality, humanism and special doctrine to summarize a family's control over the assets of family businesses and the impact. In a specific environment, these characteristics could make the family business produce a more unique competitive advantage, help the family business to make full use of social capital and generate investment projects. Hu and Li (2009) believe that the family's unique resource pool and family entrepreneurship orientation interaction affect the growth of family business. The transformation from opportunity orientation to entrepreneurial-oriented strategy under the condition of family resources is beneficial to the sustainable growth of Chinese family businesses. Habbershon and Williams (2010) show that the correlation effect which deeply influences the inheritance process of the family business existed between the entrepreneurial orientation and the family influence factor. Generally, scholars start from different aspects such as cultural connotation, parent and child behavior, corporate strategy and so on to explore the impact of these factors on the inheritance process. These influencing factors can be roughly divided into the following three categories: internal factors, external factors, and interaction factors inside and outside the family business.

2.1.2 Influencing factors of successors' choice

Inheritance is a major challenge for family businesses, in which the choice of successors is a major decision of the family business, the choice of successors is a unique, important and significant thing, it can change the direction of enterprise development and cause enterprise management change. The influence of such items as the status of the initiator and the recipient of the Succession Act, the rationality of the succession process, the legality of the successors and the choice model of the successors should be fully taken into account in the selection of

successors. He (2012) puts forward six influencing items that affect children's entry into family business and analyzes the influence of these six items on the choice of successors respectively by using the method of literature analysis, empirical analysis and case analysis. Liu (2017) uses the phenomenon-driven case study method to construct the legal basis of the successor's authority, then uses Q classification to measure the legitimacy of the successors and studies the influence of the legitimacy of the successors at different levels (equivalent to different influencing items) on the performance of the enterprise. Fang (2007) explains the training and control process for family businesses to select successors from such two paths as family members and external managers from the point of view of process analysis, and proposes that "loyalty" is the first item to be considered in the selection of successors. Déniz and Suárez (2005) focus on the analysis of inheritance graph and discuss the two main items that affect the succession process: the role of leadership and commitment. Some scholars believe that some other important influencing items of the choice of successors are the size of the enterprise, the business performance, the family voice, number of family members in senior management of the Enterprise and other competitive successors. *Co-co* type family businesses with broad practical foundations is proposed by Yan and Rui (2008), the choice of family business successors is mainly influenced by internal factors and external factors. The former refers to the utility decision-making factors of the business owner; the latter refers to factors such as the kinship relationship, the length of the business owner's willingness to work, and the special knowledge mobility owned by the owner.

Specifically, the choice of successors involves a variety of influencing items, in terms of the gender of successors. From the perspective of the family characteristics and human capital of the successors, Ahrens, Landmann, and Woywode (2015) study the influence of gender on the choice of the next CEO of the family business and find that the human capital of female successors is higher than that of men, which indicates that a man becomes CEO of family businesses in large part because of gender rather than ability. Nelson and Constantinidis (2017) focus on the gender construction of family business inheritance and test how the gender view of social construction has changed through the theory of expected state and the revision of the Sharma-Irving model of the successor's commitment. Guo (2007) points out that the family planning policy that China begins to implement in the 1970s can protect the authority of the ownership of family businesses and, in the case of the integration of the ownership and management power, can reduce the competition for the management power among the successors of enterprises, which is particularly beneficial for the inheritance of small family

businesses. Cao, Cumming, and Wang (2015) point out that in view of China's one-child policy, family business is constrained by human capital in the process of inheritance, which will reduce the re-investment rate of enterprises and delay the development of products. Overbeke, Bilimoria, and Perelli (2013) find out that there are few female successors in the succession of family businesses, and holds the opinion that they give up this advantage because of their gender when daughters would be promoted to inherit the business with the support and guidance of their parents. There are also some studies for special situations, such as Ferrari (2019), who looks at a particular family business and its inheritance, i.e. women are in charge of family businesses and hand over power to their daughters. The study finds that daughters who are successors in this situation experienced more cultural and contextual challenges which spread throughout the family and work environment. The inheritance of family business involves many aspects, such as the transfer of corporate power, the division of family property, and the change of relationship between family members. Therefore, for the inheritance choice issues, a comprehensive consideration should be done on the influence of various factors to avoid problems with the choice of successors.

In terms of the management structure of the family business, taking the family business in Lebanon as a sample, Bizri (2016) studies the driving forces and paths of the family business succession and finds that when the management of the family business is shared by the incumbent and his siblings, it is possible to increase the likelihood that the latter would become successors and family businesses inherited by siblings tends to have a better performance. Calabrò, Minichilli, Amore, and Brogi (2018) study the items that determine the decision-making of the successors of the family business and how to explain the performance of each decision, the results show that the eldest son is more likely to be appointed when the level of social emotional wealth donation is high and the performance is low before the inheritance, and for family businesses that are already in the second or later stages, the appointment of a non-eldest son has a positive impact on the company. Lude and Prügl (2018) use the theory of family business inheritance and corporate governance theory, and find that when the current CEO is a family member, the family business is more likely to choose the internal members of the company as the new CEO. In addition, family businesses are more likely to choose a new CEO from the outside when there is a large share of external directors. Cucculelli and Micucci (2008) compare the performance of the CEO position inherited by the children of the founders with the performance of the CEO position inherited by outsiders in the family businesses, and find that the performance of the former is inferior to that of the

latter. They hold the opinion that the business performance of enterprises mainly depends on the founders of enterprises, and because of the intergenerational difference of management, after several generations of business operation, a large number of family businesses would be replaced by other enterprises, and this emphasize the importance of inheritance system setup. Xu, Yuan, Jiang, and Chan (2015) find out that if the successors of the second generation are appointed as CEO or general manager by the political relationship of the incumbent of the enterprise, their development in the enterprises would be affected, which is consistent with the transfer cost hypothesis proposed by Bennedsen, Fan, Jian, and Yeh (2015). Mehrotra, Morck, Shim, and Wiwattanakantang (2013) find out by studying the succession issue of Japanese family businesses after World War II that the business performance based on the application of the adoption mode for the inheritance of family businesses is higher than the performance based on the application of the mode of consanguineous operation, and propose that using the succession mode of selecting adopted successors to eliminate incapable consanguineous successors could not only stimulate the management efficiency of consanguineous successors, but also avoid the occurrence of “Carnegie conjecture”.

In terms of power and interest conflicts, the tension in the family business is the result of conflicts of interest. Merchant, Kumar, and Mallik (2017) take the family business of small and medium-sized enterprises in India as a sample to study the inheritance drivers of family businesses. The positive impact of enterprises, families and trainees depends on the quality of the relationship, the willingness of the trainees and the ability of the trainees to deal with and manage tensions. Liu, Eubanks, and Chater (2015) hold the opinion that decision-making is a complex cognitive process, and the leaders’ deciding on the successors among their family members would lead to the power conflict and reduce the enterprise performance, and he uses the simulation model to illustrate this phenomenon. Luo (2005) draws the following conclusion by comparing the inheritance mechanism of Chinese and American family businesses: (1) Because of the existence of multiple successors, the internal disputes are easily caused by the uneven distribution of power and interests in the enterprises, thus affecting the long-term interests of the enterprises; (2) The conflicts of interests arise among the members of the incumbent family and between the members of the incumbent family and other shareholders and employees, this will affect the development of the enterprise; (3) The lack of strategic planning and asset plan of the enterprises may seriously affect the smooth transition of the inheritance rights of the family businesses; (4) The control right of family businesses has been gradually transferred from the incumbent to the successors of the second and the

third generation, which will lead to the complexity of the interpersonal relationship of the enterprise groups. Pan, Weng, Xu, and Chan (2018) put forward and test the social extension hypothesis of family business inheritance, and it is found that although the performance of family business after inheritance is generally poor, corporate philanthropy (Corporate Philanthropy) reduces the degree of underperformance after inheritance compared with other types of transformation. Starting from the Financial perspective of corporate governance and the management method of social emotional wealth, Shen and Su (2017) find that the religious belief of the founders of family business is conducive to their willingness to inherit, and the interaction between the incumbent's religious nature and social emotional wealth strengthens the intention of the enterprise's management inheritance, not the intention of ownership inheritance.

From the above analysis, it can be concluded that the existing researches on the inheritance process of family businesses and the selection of successors are rich and comprehensive, but most of them are only aimed at a single aspect in the process of inheritance in isolation. The problem of inheritance conflicts in family business from the perspective of successors is not studied. In fact, the causes of the conflicts in the inheritance process of Chinese family businesses lie in the successor's lack of capability and authority, or the incongruity between the management style and the original business (Xu et al., 2015). Based on this, family businesses should adopt different cultivation methods according to the different stages of development of their successors.

2.1.3 The cultivation mode of successors

The selection and training of family business successors is an important issue that affects the sustainable development of family businesses, and is also the main problem existing in the researches on family business inheritance. Gersick, Davis, Hampton, and Lansberg (1997) hold the opinion that the training of successors should be carried out in the following three aspects: (1) Helping successors to gain the trust of stakeholders; (2) Giving successors appropriate guidance on corporate strategy; (3) Helping successors to adapt to role change. Wu and Liang (2017) point out that the change of corporate performance or the direction of strategic transformation is not certain after the change of power of a company.

In the aspect of the models of successor training, most literature hold the opinion that internal training is the main model of successor training. Wang and Jiang (2018) probe into the influence of the necessity of transmitting all kinds of tacit knowledge on the cultivation

mode from the perspective of Knowledge view. Guo (2006) verifies that the internal training models of enterprise successors are more suitable for the current situation of China by comparing and analyzing the advantages and disadvantages of the internal and external training models of enterprise successors, and also puts forward the improvement measures for the internal cultivation of successors among Chinese enterprises. Chalus-Sauvannet, Deschamps, and Cisneros (2016) study the unintended inheritance of family businesses (that is, successors do not intend to inherit at an early stage) and find that the success of successors in their early personal efforts makes them reasonable successors, and that their sense of innovation is easier to put into practice through the support of their incumbents. Schlepphorst and Moog (2014) argue that future generations might need to speculate about what they should contribute to the company because their incumbents' demands for family successors are implicit rather than clear, leaving potential successors ignorant of their expectations. Birley (1986) describes two models (low-stage entry and late entry) for successors to enter the enterprises from the perspective of successors, and compares the advantages and disadvantages of two models.

In terms of the competencies required of the successors, Wang (2012) analyzes and studies the performance of family businesses and the present situation of successor training, and then proposes that successors should possess four aspects of abilities and qualities, including coordination ability, innovation ability, risk taking ability and the sense of social responsibility. He also divides family business performance into two dimensions: family performance dimension and enterprise performance dimension, and accordingly explores the relationship between the abilities and qualities of successors and family performance/enterprise performance. He (2012) analyzes the relationship between the children's willingness to succeed to the enterprise, the assets and scale of the enterprise and the abilities of successors required to realize the successful succession. Wan (2007) considers the successor of a family business from such four dimensions as working ability, loyalty, emotional input to the enterprise and agency cost. Zhang (2004) proves through empirical research that the selection of successors in a family business can consider the following qualities: authority orientation, initiatives, capturing opportunities, information seeking, organizational consciousness, command, benevolent care, self-control, self-confidence, autonomy, learning, influence, etc.

In the aspect of training content, based on two family businesses (i.e., Kang and HBK) that have been in existence for more than 200 years, Boyd, Royer, Pei, and Zhang (2015)

study the intergenerational Inheritance plan of long-life family businesses, focusing on the transfer of knowledge related to enterprise strategy. Li (2007) studies the “training model of successors in family businesses”, and divides the training process of successors into three stages: preparation for training, co-management and the transfer of power, and puts forward suggestions on the training of successors in each stage. Chen and Yao (2005) divide the training of successors into two dimensions: the training before the formal entry and the training after the entry into the enterprise, and then provides a specific and detailed training structure and content. Wang (2008) intensively explores the main influencing items of the successor training model selection according to the different types of the successor training methods among family businesses, and puts forward the theoretical model and research hypothesis of the successor training model selection and its influencing items, then verifies and modifies the model. Liu, Wang, Tang, Zhu, and Ni (2006) hold the opinion that the competence training of successors of family businesses mainly include such eight dimensions as organizational commitment, integrity, decision making and judgment, learning and communication, self-knowledge development, relationship management scientific management and professional strategy. Shepherd and Zacharakis (2000) study the determinants of the future value appraisal and risk-taking of the potential management successors by using the precipitated cost and the visual field method, and holds the opinion that the behaviors of successors before they acquire inheritance rights, such as buying stocks in family companies, working in family businesses, and obtaining inheritance rights by making certain achievements through efforts, would have a certain impact on some decisions they make after obtaining inheritance rights, mainly including the subjective evaluation of company value and the risk-taking in decision-making. Breton-Miller, Miller, and Steier (2004) argue that children should be taught “the significance of hard work and the values of social responsibility” at the table since their early age. “Discussion at the table” should be based on the satisfaction of customers or the pride in a new product.

Moreover, Shi (2015) constructs the “three-training model” for successor training: seniority training, education training and experience training, which can also be called “enterprise tempering training”, “education training” and “social experience training”, and studies the degree of the successor participation in the three models and the influencing items of the three models, and then explains the relationship between the successor training models and the succession performance. Chen and Ying (2003) use the Gersick three-pole development model to analyze the most common “father-to-son” inheritance model of

family-owned businesses at home and abroad, through taking into account items such as the background of the enterprise, the stage of enterprise growth, the size of the enterprise, the social environment and the characteristics of industry. It is believed that the phenomenon of “inheritance of parents’ business” in Chinese family businesses is more common in small and medium-sized private enterprises; in contrast, the large and medium-sized private enterprises mainly adopt the method of senior management to take over the business (based on the immediate family members of the original entrepreneurs), this is because most of these new senior executives are internal employees of the original enterprises and are more familiar with the operation of the enterprises. Gersick et al. (1997) propose a “two-stage socialization model” for the training of successors, divided the training of successors into two processes: enterprise socialization and family socialization, and puts forward two training models respectively corresponding to these two processes: the same socialized replication model as the incumbent and the new leader training model. In the same socialized replication model as the incumbent, the successors can gain more experience, and the values and business concepts of successors and incumbents can be more similar. In the new leadership training model, the successors generally have received higher education or worked in other companies, so they have external experience, and the successors and incumbents will have different leadership views.

In general, the aforementioned researches bring a comprehensive view of the cultivation mode for training successors. In the instance, when choosing the successor, the family business should consider not only the source of the successor, the characteristics of the family business, the relationship of family members, but also the nature of China’s national conditions and whether the characteristics of the successors are consistent with the business. After the selection, an appropriate cultivation mode is applied according to the characteristics of the enterprise, the incumbent, and the selected successor.

2.2 The inheritance of family business from the perspective of family

The exist of family businesses is based on families. By studying family characteristics and family functions, their influence on family businesses can be observed. The literatures in this section mainly include the influence of family structure, family relationship and family atmosphere on the process of family business inheritance. In addition, as the inheritance system of family property in ancient China is inextricably related to the contemporary inheritance of family businesses, this section also discusses the traditional inheritance system

2.2.1 The influence of family relationship on the process of inheritance

As an important variable portraying the family system of family businesses, the research value of family relationship has long been recognized by family business researchers. Some authors point out that many researchers are keen on the study of “internal problems” in family businesses, such as the handover and takeover of enterprises, the balancing of family members and the choose of professional managers(Longenecker & Schoen, 1978; Dyer & Sánchez, 1998). And the importance of studying the psychological dynamics of family members also has been realized by relative researchers. The biggest threat to the growth of family businesses is not external items such as technology, customers and competitors, but family relationship. According to the relevant statistic data, the proportion of failures in family business inheritance is as high as 60% because of the breakdown of family relationship, which exceeds the family business that failed due to external items. A sample of 209 American family businesses (Morris, Williams, Allen, & Avila, 1997) also indicates that family relationship has the most significant impact on the success of inheritance. Therefore, the relevant researchers hold the opinion that, in the process of intergenerational inheritance of family business, family business owners should pay more attention to the internal relationship of family business rather than the distribution of stock right, the evasion of estate tax, etc. He further argues that The Family Relationship Chart should be a tool for strategic management within the family.

Along with the gradual accumulation and intensification of theoretical and empirical research, the research context of family relationship on family business inheritance is increasingly clear, and the related research progress is mainly reflected in three aspects: the dimension composition of family relationship, the mode of action and the object of action. Compared with the earlier studies, the expansion of the scope of research in these three aspects and the diversification of the research results enable us to understand the family relationship in the field of family businesses more profoundly and delicately.

(1) Dimension composition

In terms of the research on the composition of family relationship dimension, the only attention paid to the relationship between incumbents and successors is expanded to the attention paid to the relationship among family members. As incumbents and successors are the key individuals in the intergenerational inheritance of family businesses, it is not difficult

to understand that early studies paid great attention to the quality of the relationship between the two and even incorporate it as the only variable of the family system into the research process. With more and more researches appearing, the importance of sibling relationship, mother-daughter relationship, father-daughter relationship, family atmosphere and family environment have been increasingly recognized by scholars, which makes the scope of research objects greatly expanded. After the “jungle period” of empirical research, scholars realize that it is difficult to analyze the relationships among various family members in detail, and it is feasible to study the concept of “the family relationship”, which describes the relationship between family members. In terms of the dimension composition, most of the studies have directly applied the related research results in the field of sociology and psychology, and divided the family relationship into two dimensions: family affinity and family adaptability. In recent studies, the researchers of family businesses have begun to construct the concept of family business on this basis, adding such sub-dimensions as intergenerational types and communication quality to the original two dimensions of affinity and adaptability to reflect the characteristics of family business inheritance.

(2) The mode of action

In terms of the study of action mode of family relationship, the study of the direct action of family relationship has been changed into the study of the intermediary action of family relationship on inheritance behaviors. Early studies suggest that family relationship would directly act on the plan of the succession of management power (Gersick et al., 1997). Morris et al. (1997) also constructs the model of family relationship’s influence on the result of intergenerational inheritance of family businesses, and emphasizes the importance of family relationship in the internal strategic management of family businesses. However, some scholars raise a doubt against this. For example, Lansberg and Astrachan (1994) argue that family relationship is very likely to exert an intermediary action on the inheritance behaviors of family businesses through other items. Based on the results of empirical research, they find that the two dimensions of family relationship, i.e. family affinity and family adaptability, exert an intermediary action on successor training through the quality of the relationship between incumbents and successors. On the other hand, family affinity exerts an intermediary action on such two variables as inheritance plan and successor training through family commitment to the enterprise. Lee (2006) holds a neutral view of this, he studies 88 Chinese family businesses in Singapore, the empirical findings reveal that the direct action and indirect action on family business caused by family relationship coexist, and these two actions

do not conflict with each other.

(3) The object of action

Regarding the object of action, the studies have been changed from emphasizing the impact of family relationship on the inheritance behaviors of family businesses to attaching equal importance to inheritance behaviors and effects. Early researchers (Chant & Ward, 1987; Handler & Kram, 1988) notice that family relationship has a strong impact on the inheritance behaviors of family businesses, such as the extent to which the inheritance plan is carried out, and the training of the next generation, which makes the transfer of management power in family businesses more complex. Based on that thought, Friedman (1991) notes that if the selection of a successor from a large number of sons and daughters is merely explained as a matter of parental preference, then the sibling rivalry would be increased, and the inheritance of family businesses would be hampered and complicated. However, some scholars (Malone, 1989; Lansberg & Astrachan, 1994) hold the view that family relationship may also play an active role in the process of family business succession, and family harmony has a positive impact on the extent to which the plan of business sustainability is carried out. It can be observed that families that could control their enterprises for a long time usually begin to train successors in their childhood. Lee (2006) proves that family relationship has a significant impact on the work attitudes of the second generation of family businesses. Along with the further accumulation of researches, the impact of family relationship on the inheritance effect of family business has gradually attracted the attention of researchers. Based on the cases of 40 family businesses, Beckhard and Dyer (1983) show that the enterprises are more likely to be passed effectively to the next generation when family members support each other. And this finding is also supported by Morris et al. (1997).

It is not difficult to find out that the evolution of family relationship research is essentially the study of the change of analysis levels. Early studies are usually confined to the individual and interpersonal levels, focusing on individual family members and their correlation, trying to describe family relationship by portraying the correlation. This method can simplify the capture of the complexity and dynamics of family relationship and avoid the interference of overcomplicated measurements on empirical research. However, as the research continues to develop, the limitations of this simple research method begin to appear, and the study of family relationship needs to be carried out at a higher level. Relevant studies begin to separate from the individual and interpersonal levels and “overlook” the family

relationship from the perspective of system view and at the environmental level (Lee, 2006; Björnberg & Nicholson, 2007). This new method allows us to scan family relationship from a more holistic perspective.

2.2.2 The impact of family structure and family atmosphere

Family structure includes family size, composition, types, etc. It refers to the combination of family members, and the family types and patterns which come into being accordingly. At present, there are different classification criteria for the family structure. A most common practice is to divide the family structure into nuclear (atomic) families and extended families according to the composition of family members. While Todd (1985) divides families into four types based on values and belief: complete nuclear families, equal nuclear families, authoritative families and community families. Because the next generation is one of the key groups of inheritance in the researches on family business inheritance, and is the main candidate for the future leader of enterprise and the main successor of family wealth, so researchers mostly adopt the gender of the children, the number of children and other children-related family composition characteristics to portray the family structure.

Family is the first entity to influence the values, attitudes, beliefs and behaviors of its members. Each individual imperceptibly assimilates the values of family members including parents, and accordingly forms its own mode of thinking and value orientation at the time of decision-making. In the study of family business operation and management, Herriau and Touchais (2014) study the controllability of organizational change and show that there is a dynamic interaction between control and change, and that the control system could construct the inheritance of family business by inducing appropriate behavior, and put forward how to match individual and organizational learning with control system. Hamilton, Discua-Cruz, and Jack (2017) argue that narration could help to understand the intricate connections between family and business and between generations and form knowledge and collective identity as a form of intergenerational communication, besides, he explores the role of narrative methods in the study of family business strategies. Based on the new system theory, Frank, Kessler, Rusch, Suess-Reyes, and Weismeier-Sammer (2017) establish a family scale FIFS to measure the impact of the family on the enterprise, including ownership, management and control, proficiency of active family members, information sharing among active family members, cross-generational orientation, family-employee bonds, family business identity, etc. Sharma and Manikutty (2005) find out that both family structure and community culture have an impact on the decisions on the resource divestiture of family business, in which the family

structure influence the time of making decision.

The influence of family structure is manifested in the choice of family business inheritance model. Bennedsen et al. (2015) find through research that the decision to appoint a CEO is largely influenced by the family structure of the family business owner and the history of marriage. The author further explores the role and function of family structure in family business inheritance decision-making. The research based on a sample of 5,334 Danish family businesses shows that the family structure has a significant impact on the enterprise's inheritance decisions. To be more specific, if the first child of the business owner is male, then the probability of ultimately choosing a family member as the successor of the family business CEO is much higher than the case where the first child is a female. This research has such advantages as standard methods, rigorous design and abundant samples, and demonstrated the important role of family structure in the selection of family business inheritance model, which promotes the development of inheritance research based on family structure characteristics. The study of Hauck and Prügl (2015) finds that the opportunity to see the inheritance phase as an innovation is positively correlated with family adaptability, family members and the company's intimacy; on the contrary, the history of intergenerational authority and family ties is negatively correlated with that. The study also emphasizes the inherent heterogeneity of family business behavior.

Family atmosphere has a strong explanatory power to the family business culture and performance, and affects family business performance mainly through the integration of family values in the corporate culture. The results of Liu (2018) shows that family business inheritance is a multi-dimensional and complex decision-making process. Among them, enterprise characteristics, family capital and niche inheritance are the most important. In addition, in the competitive market environment, the kinship, trust and commitment between the father and the children are important items that could not be ignored. In order to accurately depict and describe the family atmosphere of family business, based on the theory of family system, Björnberg and Nicholson (2007) conduct exploratory and confirmatory factor analysis to the survey data from 291 subjects in Britain, and confirm the six items of family atmosphere: free communication, adaptability, intergenerational authority, intergenerational understanding, affective affinity and cognitive affinity. Jayantilal, Jorge, and Palacios (2016) express that the results of family cooperation resulting from the cooperation and joint action of family members are found to have a better promoting effect on promoting intergenerational inheritance of enterprises and ensuring that the founders' preferred children

are designated as successors. Bennedsen et al. (2015) take the Chinese family businesses in Hong Kong, Singapore and Taiwan as a sample, and propose a framework called family Business Map for the systematic analysis of the influence of families, markets and surrounding institutions on the ownership of family businesses, it is concluded that the organization form of family business have certain adaptability to the environment. Mussolino and Calabro (2014) find that different paternalistic style leadership styles could influence the attitude, subjective criteria and perceived behavior control of family successors, and then affect the purpose and behavior of successors.

Family scope is closely related to family relationship. In the research of the interpersonal orientation of families, the family FIRO model (Fundamental Interpersonal Relationship Orientation Model) is considered as the most suitable model in the family domain for the family business inheritance research. Parr (2000) and Danes, Rueter, Kwon, and Doherty (2002) believe that the family FIRO model, which provides a systematic view of family dynamics and changes, is mainly used to assess the family function. Haberman and Danes (2007) attempt to apply the family FIRO model to the process of management power transfer during the succession of family business, and find out that to make this power transfer process more successful, power structure and interaction need to be restructured. Besides, this study also points out that three dimensions should exist in the family FIRO model, which is fusion, control and integration.

2.2.3 The influence of the traditional system of family property succession

The concept of family business is similar to that of family business and family property in ancient China. In order to continue the foundation laid down by their ancestors, Chinese families have attached great importance to their property since ancient times, and thus established and followed a series of inheritance systems. As this traditional inheritance system has become a unique cultural symbol in China, it has greatly affected Chinese mentality and customs.

Therefore, the inheritance way of contemporary Chinese family businesses also originates from the traditional inheritance system of Chinese family property from ancient times to the present. This inheritance system rooted in the traditional Chinese society was first manifested in the system of single-son inheritance in the Shang and Zhou dynasties, evolved into a system of property distribution among several sons from the warring States period to the Qin and Han dynasties, and became a basic social system. It has important and profound

significance to the inheritance of family business today.

(1) The content of the traditional system of family property succession

Sorting out the origin and evolution of this inheritance system can help us to understand the origin of inheritance system which is popular among family businesses today. During the Shang and Zhou dynasties, Chinese society transitioned from primitive clan to private ownership, and the concept of “family property” was born gradually. At that time, the enfeoffment system was implemented. The throne of the monarch and the title of nobility were the comprehensive carrier of power and property. Power could not be divided. At the time of inheritance, it could only be passed down as a whole, that is, it could only be inherited by one of the sons, who might be the eldest or the youngest son. Xing (1995) mentions that most ancient historians hold the opinion that the throne of the Shang Dynasty is sometimes inherited by the “younger brother” of the monarch, that is, all sons have inheritance rights to their father’s throne, but in different order. To a certain extent, this already contains the factor of the average inheritance among all sons. At the beginning of the Zhou Dynasty, the patriarchal regulations that had sprouted in the late Shang Dynasty were gradually perfected and institutionalized, and the system of inheritance by the eldest son was the most important part of the patriarchal system. However, because the level of productivity was low at the time, and a long time has elapsed since then, any direct and clear documentary record cannot be found about the property inheritance among civilians at that time.

According to Luan (2000), during the Spring and Autumn Period and Warring States Period, the productivity level was greatly improved, which promoted the further development of private ownership. Due to the obvious restraint of the family members’ productive enthusiasm, the family members had an urgent need for the “separation of families”. In the late Warring States Period, along with the implementation of the “Shang Yang Reform” and the reunification of China by the state of Qin, the system of the equal distribution of family property among all sons gradually became the tradition widely followed in the inheritance system of the family property. Along with the change of dynasties, it finally developed into a set of complete ways and systems. Up to now, the thought of the system of equal distribution of family property among all sons has profoundly influenced the families of our country, and has become the traditional inheritance system of the family property in all walks of life. According to the literature of the dynasties after the Warring States Period and the records of the remaining literature related to the division of property and households, Luan (2000) summarizes the main principles concerning the separation of households: First, all sons of the

same father, regardless of their age, or even their mothers, whether or not the mother is the first wife of his father, in principle, they all have the same inheritance rights to the family property. Unless a brother dies, his son would succeed to his legacy instead. The daughter, because of her low status in the family, usually gets a dowry when getting married. She does not enjoy the right to inherit the family property. Second, the equal distribution of property. The principle of equal distribution not only applies to land, goods and property, but also some “business”, although the latter does not fall into the scope of official inheritance, but the amount of inheritance by each son will be written clearly on the inheritance certificate. Third, each son has the ownership to the business he inherits. That is, family members “manage and operate their respective business independently”, and “should not encroach” on one another’s business.

(2) The influence of traditional property inheritance system

The vicissitude of traditional Chinese inheritance system was the result of the common demand of economic development and political system at that time. The system of inheritance by sons represented the interests of the centralized government at that time, was in line with the government’s consciousness, and was carried out in the feudal society of China for a long time under the support of traditional culture. In the long run, the traditional system of family property has exerted lasting influence on the Chinese society.

Exactly because the economic structure determines the political structure, the academic community has already reached a consensus. Xing (1995) points out the political structure of ancient China adaptive to the small-scale peasant economy could only be the system of centralization of power. Under the political system of centralization of power, any power group that may threaten the ruling class is banned. The important means to eliminate this possibility and prevent the expansion of other political groups is the system of equal distribution of family property among all sons and the system of imperial examination. This can be proved by the effect of the implementation of the system of equal distribution among all sons. Under the principle of equal distribution among sons, the land and field property of individual small families would assume a periodic cycle process of “dispersion-accumulation-dispersion”, which limits the expansion of land scale and family wealth.

On the other hand, that the system of equal distribution of family property among all sons can be implemented in China for such a long time also has something to do with the characteristics of traditional Chinese culture. In fact, in dealing with the issue of

intergenerational inheritance, every family would face two opposing forces: the centripetal force generated by kinship and the centrifugal force generated by property interests. Trompenaars and Hamden-Turner (1998) point out that culture is a method of solving problems and mediating contradictions, and each culture choose specific solutions to some dilemmas to distinguish itself from other cultures. The Chinese people's solution to mitigating contradictions is based on the fact that people give absolute priority to "reason". Under this major premise, when the relationship between people and things is dealt with, that is, when the issue of "inheritance of family property" discussed in this section is addressed, the reasonable way of equal distribution is adopted.

2.3 Related theoretical models of family business inheritance

Although the origin of family business has a long history and developed rapidly after entering modern society, the related theoretical research lags behind, and the research on the theory and method of management and scientific management ignores the proprietary characteristics of family businesses. It was not until the late 80 that it gradually attracted the attention of scholars. For researches on family business, the fundamental purpose of family business is to find the "effective successor" to inherit the enterprise, and family businesses are the user of talent, but not the training of talent. Therefore, it is necessary to outline the basic features of effective successors, explore the best practical experience of family businesses, and then summarize the successful inheritance model. In order to explain an observed phenomenon or system, a model about the structure or characteristics of the phenomenon or system should be established. Similarly, in the study of the inheritance of family businesses, the study holds that the construction of theoretical models is very important, and this thesis mainly reviews two common models (the intergenerational inheritance model of family businesses and the four-factor theory of intergenerational inheritance).

2.3.1 The models of intergenerational inheritance of family businesses

Some influential models of intergenerational inheritance are discussed in this section. Among them, the four-factor theory proposed by Stavrou and Swiercz (1998) is the main theory adopted in this thesis.

(1) The seven-stage succession model

In the opinion of Longencker and Schoen (1978), the process of intergenerational inheritance of family business consists of seven stages: before entry, preliminary entry,

initially playing a role, playing a role, playing an important role, early stage of succession and official succession. According to the change of leadership, the first three stages are grouped as one category, indicating that the receipt of education and vocational training by the successor, which is also the process of socialization. The latter four stages are grouped as the main stage of leadership succession.

The model shows that the training of successors is a long-term one, which takes a certain amount of planning and training time. However, this model is too broad to explain the underlying causes of the successor going through these stages and the boundary between stages.

(2) Life cycle model

Based on the natural law of life, Churchill and Hatten (1987) probe into the process of enterprise inheritance, and holds the opinion that the life stage of the incumbents and successors have an important influence on the leadership of the enterprise.

In their opinion, the process has four stages:

(a) The stage of owner management. In this stage, incumbent is the owner of the enterprise, and is the most direct operator of the enterprise.

(b) The stage of training and development. In this stage, successors begin to acquire business management knowledge and skills by entering the enterprise, and try to manage the daily activities of enterprise.

(c) The stage of parent-child partnership. Through continuous learning and training in the enterprise, successors already have enough management knowledge to participate in enterprise management and decision-making.

(d) The stage of power transfer. In this stage, the owner of the enterprise begins to delegate his power and gradually lessens his role in enterprise operation, and the successor gradually takes over the power of management and operation of the enterprise from the owner of the enterprise.

Through these four stages, it can be found that the development process of family business is actually a process of life cycle, and the influence of individual life cycle on the operation of enterprise is unavoidable. This model is the first to extend the research on the intergenerational inheritance of family business to an individual life cycle, and to construct a two-dimensional space to analyze its impact on business operation, strategy and objectives, and lasting development.

The model points out that successors aged between 17 and 25 hope to be independent and free from parental control; successors aged between 27 and 33 hope to determine their career choices; and successors aged above 33 hope that their abilities can be recognized by their parents. By the age of 45, their parents would devote most of their energies to business management and to the development and expansion of the enterprise; from the age of 45 to 60, they would gradually shift their focus from their enterprise to their family and personal life, and support their successors to inherit their own business. After the age of 60, they would completely delegate their power and no longer manage their enterprise. Therefore, the best time for the transfer of power should be after the age of 50 for incumbents and the age between 27 and 33 for successors. In this stage, the heir can rationally ponder over problems and have basic professional qualities. Both the incumbents and the enterprises are in urgent need of the injection of young blood and still have the energy to control the overall situation of the family business.

This model also has some shortcomings. The model does not explain the reason why the successors join the family business or not, but only explains the relationship between the successors who have joined the family business and their parents. The inheritance between father and son is only considered, other possible successors or inheritance patterns are neglected in the model.

(3) The model of role swap adjustment

Handler and Kram (1988) propose a role swap adjustment model through in-depth interviews with successors of 32 family businesses, and concludes that the process of inheritance is the process of role adjustment between the incumbent and the successor, which can be divided into the gradual release of leadership and the phase-out of management by the incumbent, and the gradual authorization to and the entry into the leadership role by the successor. This model explains the change of parent-son relationship in the process of succession from the perspective of dynamic role transformation, which has important theoretical and practical significance.

Family business owners experience four roles from sole executor (individual operator), ruler, supervisor (delegator) to adviser, and successors experience four roles from non-role, assistant, manager to leader (chief decision maker).

The first role is mostly in the initial stage of the enterprise. In this period, the incumbent is the core and the only executor of the enterprise, paying attention to the survival of the enterprise. There is no need for a succession plan. Therefore, the next generation has no role

The second role is mostly in the development period of the enterprise. At this time, the competitiveness of the enterprise is the focus of the incumbent's attention, and the incumbent is still the supreme ruler of the enterprise. Therefore, he has no time to consider the succession of the enterprise for the time being. However, the successor in this period has been involved in the daily operation of the enterprise and has begun to act as an assistant.

The third role is usually in the mature period of the enterprise. At this time, the enterprise develops smoothly, and the incumbent is generally older. He begins to pay attention to the succession of the enterprise, and his role gradually becomes the supervisor of the enterprise management. At the same time, the successor has been involved in the management of the enterprise for many years, with sufficient management experience.

In the fourth role, the incumbent begins to change from the forefront of enterprise management to the behind-the-scenes advisory role, and the successor replaces the incumbent to become the leader of the enterprise.

In the process of role swap, the influence of family business owner gradually decreases, and the influence of successor increases. At the same time, this is also a dynamic process in which the two systems (the family and the family business) conflict and reconcile with each other, go from balance to imbalance, then from imbalance to new balance, and finally complete the succession. The last two stages of role adjustment are very important to the effective inheritance of enterprises. In these two stages, the preparation of the enterprise for the successor is manifested very evidently and the succession plan is generally established. The role played by the incumbent in the enterprise is obviously diminished. The focus of his attention is gradually shifted to those aspects that require experience and expertise, mainly including corporate fund-raising, growth choices, long-term strategic decisions, etc. In conclusion, the successor gradually becomes business leaders and decision makers, while the incumbent chooses to act as a supervisor or an adviser.

The shortcomings of this model are that it overemphasizes the influence of the incumbent in the process but neglects the role of the successor.

(4) Three-ring model

Gersick et al. (1997) analyze the role of decision makers in family business inheritance from the perspective of the individuals' different functions in the family business. The family business is regarded as a system consisting of three subsystems, which include family,

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance enterprise and ownership. The three subsystems are independent of each other and intersect each other, dividing the system into seven areas. Any individual in a family business can be assigned to the appropriate area according to its functions. The area categorization is shown in Figure 2-1.

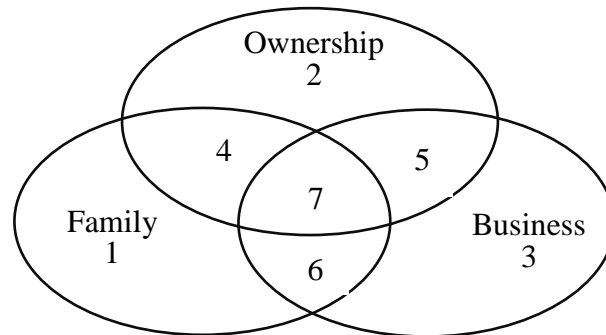


Figure 2-1 The three-ring model

Area 1 is all family members, the people in Area 2 have ownership to the enterprise, and Area 3 is all employees of the enterprise. People in Area 4, Area 5 and Area 6 have two identities, e.g. a person who is a family member and works in the enterprise but does not have the ownership to the enterprise will be in Area 6. People in Area 7 have the above three identities, e.g. someone that is a family member, owns the company and works there too.

This model is a static description method to study the family business from the perspective of function playing, but the development of family business is a dynamic and continuous process in reality.

(5) Three-pole development model

Gersick, Lansberg, Desjardins, and Dunn (1999) put forward the “three-pole development model” based on the “three-ring” model, and establish the three-dimensional space axes of family, enterprise and ownership to analyze the dynamic inheritance model of family business.

From the perspective of the development axis of the family, there are four stages: the young business family, the family members’ entry into the enterprise, the parents working together with their children and the transfer of leadership.

From the perspective of the development axis of the enterprise, it goes through three stages: the initial stage, the expansion stage and the maturity stage.

From the perspective of the development axis of ownership, the ownership experience of the family business changes from the ownership of one owner, the partnership of brothers and sisters to the partnership of cousins, and the institution changes from simplicity to complexity.

Concluding the development axis of ownership, there are three modes of ownership transfer: (a) cyclic transfer; (b) reverse transfer, and (c) progressive transfer.

The central point of the model is that succession is far more than the withdrawal of old leaders and the entry of new leaders. Succession is a complex process of transformation along all the three poles.

(6) Cognitive classification path analysis model (M-M-F)

Based on the father-son succession model and using the cognitive analysis method in psychology, Matthews, Moore, and Fialko (1999) evaluate the parents and their successors from the perspective of the parental leaders, and hold the opinion that the leader behavior with consistent cognition can automatically produce cognitive classification behavior, while inconsistent leader behavior can produce dominant cognitive classification behavior.

The transition of leadership can be divided into four paths from the perspectives of self-cognition and mutual cognition:

(a) Path 1: Successor-to-parent cognition classification. When the incumbents value the leadership of their children, their children's power will be enlarged and the limitation scope of management activities will be narrowed down.

(b) Path 2: Parent-to-successor cognition classification. It is pointed out that the more the successors recognize their parents' abilities, the less willingness they are to participate in the enterprise management. On the contrary, the less the children recognize their parents' abilities, the more willing the children are to participate in the enterprise management, because they think they will have more opportunities to show their abilities.

(c) Path 3: Parents' self-cognition classification. The self-evaluation of ability and physical condition of parents affect the implementation of the power transfer plan.

(d) Path 4: Self-cognition classification of children, the confidence of the successors in the management of the enterprise affects the enthusiasm of the succession.

The advantage of this model is to explain the succession process from the perspective of psychological cognitive classification, which can help incumbents and successors to understand their psychological activities and the influence of different psychological classification on the succession process, this is of great practical significance and can meet the consulting needs of family businesses. While the shortcoming of this model is that it fails to consider other inheritance models; the self-cognition and mutual cognition of individuals is a dynamic change process and is influenced by the stage of their life cycle. The influencing

items of cognition formation should be diversified, and the explanation in the thesis is relatively simple.

(7) Anxiety analysis model

Dunn (1999) puts forward the anxiety analysis model innovatively on the basis of “system theory of Bowen family”. The model shows that mutual respect and family management between the two generations are the most important items to determine the success of family business succession. The contribution of anxiety analysis model is that it integrates the concepts of family members, family system and life cycle into the process of family business succession analysis. The model points out that the anxiety generated in the process of family business succession is periodic and inevitable, and puts forward the concept of “emotional equilibrium” as well to reduce this anxiety. However, the emergence of new concepts in the model makes the whole model more complex and difficult to use.

(8) Relay race model

Bruno, Mauws, Starke, and Mischke (2002) compare the succession process of family business as a relay race and proposed a relay race model. The model summarizes the four important items influencing the succession process: order, timing, skill and communication. The model reveals that the family business should not only select the right successor according to its own situation at the time of power transfer, but also choose the right time to transfer the power, and the model also emphasizes the role of skills and communication in the whole process of transfer.

(a) Order: determining the order of relay runners according to their physiological and psychological characteristics, that is, selecting the leader of the next generation.

(b) Timing: the timing and scope of the transfer of the baton, that is, the right moment of the transfer of power, which is constrained by the life cycle and influenced by the market conditions.

(c) Skill: how to successfully complete the transfer of the baton, that is, how to resolve the difficulties that may arise during the transfer of power, such as the successor’s unwillingness to succeed, and the incumbent’s unwillingness to delegate power.

(d) Communication: relay race is a kind of teamwork; trust among members, communication during the transfer of baton will affect the final results. The communication between the incumbent and the successor can make the successor understand the behavior of the incumbent, increase the willingness to succeed, reduce the differences of ideas between

them, and ensure a smooth transfer.

2.3.2 The four-factor theory of intergenerational inheritance

The three-level intergenerational inheritance model, namely the four-factor model, proposed by Stavrou and Swiercz (1998) and discussed in Stavrou (1999), is one of the main theoretical bases for the academic research on the influence items of the intergenerational inheritance willingness of family businesses, just as shown in Figure 2-2.

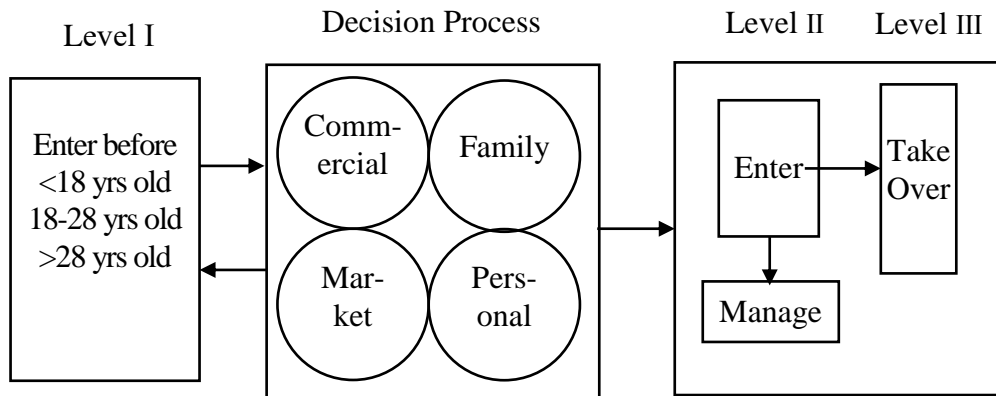


Figure 2-2 The four-factor theory

(1) Stage division

The first level: the pre-entry stage: Stavrou and Swiercz introduce other scholars' research results to prove that the children of family business owners often decide whether to inherit the family business between the ages of 18 and 28. This stage is mainly about preparing for succession, including higher education, and the accumulation of professional experience inside and outside family business.

The second level: the entry stage in which the successor enters the family business as a full-time employee and gradually participates in the management.

The third level: the succession stage, in which the appointment of successor is completed.

The decision-making process takes place between the first stage and the second stage. A conceptual framework is proposed, which suggests that the main items that influence the successor's choice of succession to the family business are the individual, the family, the business and the market.

(2) Main content

Individual factor: the successors of family business incumbents should, at the time of

career planning, consider personal ability, interest and goal, weigh the advantages and disadvantages of internal and external work, and inherit the sense of achievement brought by the family business.

Family factor: family concept, family atmosphere and family composition will affect whether the successors of family business incumbents join the family business or not. At the age of 18 to 28, they are greatly influenced by the thoughts of their parents and are unable to completely break away from their parents, so their decision-making will be influenced by their family.

Business factor: on the one hand, it refers to the sub-items related to the development and operation of the enterprise, including the subordinated industry of the family business, the operation and management situation, the strategic planning objectives, etc. On the other hand, whether the ability of the successors of the family business owners is recognized by the senior management of the enterprise, and whether the suggestions proposed by them are accepted will also affect the decision results.

Market factor: family business owners' successors will also, at the time of decision-making, consider the advantage and disadvantage influence of external employment environment, industrial development, market competition and other items on joining the family business.

(3) Advantage and disadvantage analysis

The advantage of Stavrou and Swiercz four-factor theory lies in the combination of literature review and empirical analysis, it studies the influencing items of whether the children inherit the family business, which has theoretical and practical guiding significance for the inheritance of the family business, especially the selection of successors.

Stavrou and Swiercz four-factor theory also has some shortcomings:

(a) The main research problem is children's will of inheritance, lacking the analysis of the whole process of inheritance, failing to clearly explain the problem of official succession.

(b) While dividing the whole succession process, the model does not have a clear definition, and lacks the explanation of the transition between stages.

(c) The four items are mainly focused on the micro level, without considerations of the change of the times, and the macroeconomic and political environment.

(d) The model analyzes each factor respectively and does not have detailed analysis and explanation of the functional relationship among items.

(e) Although the mode of the informal meetings can help to study the relevant problem in depth and detail and arouse the expression enthusiasm and creativity of participants, it is difficult for the model to deal with statistics and quantitative analysis.

2.4 Summary of this chapter

Summarizing previous researches within family business domain, it can be concluded that family businesses have been a common form of business organization since ancient times and playing an extremely important role in the development of human economy and society. Since China began to carry out reform and opening-up 40 years ago, the number of Chinese enterprises, the majority of which are family businesses, has been growing explosively. The number of Chinese family businesses is the highest in Asia, and the number of family businesses in mainland China ranks the first in the world with the number of 159 and a total market value of \$1.38 trillion (See the Credit Suisse Top 1000 Family businesses in 2018). The massive number of Chinese family businesses, the increasing age of the previous generation of private entrepreneurs, the complex national conditions, the low success rate of family business inheritance, etc., have aroused the strong interest of scholars around the world in the family business inheritance.

By reading domestic and foreign literature, it can be concluded that scholars generally agree with the concept of family business inheritance process, that is, the inheritance of family business is regarded as a complex process involving many stages, and the effective management of the inheritance process is conducive to the smooth succession of family businesses (Dou & Zhai, 2005). With regard to the selection of successors of family businesses, scholars mainly focus on the construction of the selection model, trying to acquire a standard on the successful management of succession process. While building the selection model, most scholars will take into account items that have a greater impact on the selection process, such as the traits of incumbents and successors, the size of enterprises, the competitiveness of enterprises, the policy system, etc.

Because foreign scholars have less knowledge of traditional Chinese culture and Chinese family businesses, they have done relatively little research on the impact of traditional Chinese culture on the process of inheritance. Moreover, due to historical, cultural, policy and other reasons, the inheritance process of Chinese family businesses has its particularity. In the process of inheritance, Chinese family businesses will face many problems such as property rights, corporate management and other conflicts. Therefore, it is very important to solve the

problems with the intergenerational inheritance of family business, which has also aroused the attention from a large number of scholars. At present, the literature on the theoretical models of family business inheritance, the succession will of successors and the resolution of the conflicts in the succession process are relatively rich, but unfortunately, the literature focused on the selection of successors are relatively scarce. Accordingly, based on Chinese traditional culture, this thesis involves the main links of the intergenerational inheritance of family business, and analyzes the main influencing items of the selection of successors and the possible causes of possible conflicts in the process of inheritance.

By sorting out and summing up the research on traditional succession system, the relationship between family businesses and families, family characteristics and family functions, it can be concluded that the succession of family property in ancient China is inextricably related to the inheritance of family business today. On one hand, the succession of family businesses has a deep-rooted ideological origin and will be affected by traditional culture. On the other hand, the pattern of family business organization and management will change with the development of enterprise, but the experience and mode of long - term accumulation have guiding significance.

As listed in Figure 2-3, some theoretical models of family business inheritance are also discussed in this chapter, including seven-stage succession model (Longencker & Schoen, 1978); life cycle model (Churchill & Hatten, 1987); three-level intergenerational inheritance model (Stavrou & Swiercz, 1998); role swap adjustment model (Handler & Kram, 1988; Dou & Zhai, 2005); three-ring model (Gersick et al., 1997); three-pole development model (Gersick et al., 1999); cognitive classification model (Mathews et al., 1999); anxiety analysis model (Dunn, 1999); and relay race model (Bruno et al., 2002).

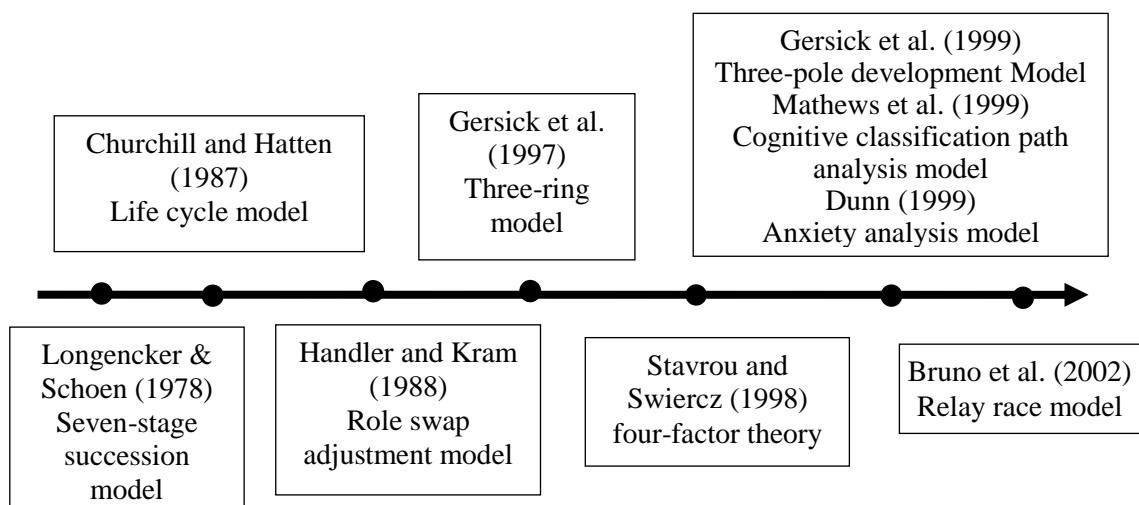


Figure 2-3 Models for family business succession

Therein, among all the theoretical models listed in section 2.3, the research model of this thesis mainly revolves around the Stavrou and Swiercz four-factor theory. This theoretical model combines the literature review with the empirical analysis method and has the advantage of comprehensive and systematic viewpoint. Using the four-factor theory to study the influencing items of the choice of successor and the conflict of inheritance process in Chinese family businesses is of theoretical and practical significance to the inheritance of family businesses, especially to the selection of successors.

At the same time, taking into account the shortcomings of the four-factor theory, such as the dominant microcosmic dimension of the analysis, the lack of the change of the times, the lack of the consideration of the macroeconomic and political environment, and in particular the fact that China's special national conditions are not involved, this thesis considers adjusting the "market" factor to the "social" factor, that is, in addition to considering the external employment environment, industrial development condition and market competition situation, it also considers the influence of traditional system, cultural customs and social concepts on the selection and inheritance process of family business successors, according to the studies of the traditional system of family property inheritance in Section 2.2.3.

Chapter 3: Research Plan Design

From the theoretical study of life cycle model, role exchange model and three-ring model in Chapter 2, it is known from any angle that the family business inheritance process needs to be carried out according to the purpose of inheritance. Unlike other companies, the business owner (parent) is in charge of the family business's daily operational decisions and even the choice of successor, while board members can only participate in the discussion. Therefore, the inheritance of the family business is the process in which management power are handed over from parents to children, the differences of whose subjective values will create conflicts. How to choose the successors and handle the intergenerational conflicts in the process is the focus of this thesis.

Based on the Stavrou and Swiercz four-factor theory (Stavrou & Swiercz, 1998), this chapter is to classify the factors that influence the choice of family business successors and to summarize the reasons why the inheritance process may lead to conflicts.

Stavrou and Swiercz four-factor theory has a systematic and perfect summary of family business intergenerational inheritance, but combined with Chinese social background, the work of this thesis is conducted from four aspects: individual, family, enterprise and society based on the four-factor theory of Stavrou and Swiercz. Factor analysis is improved and the society factor is based on the improvement of the "market" factor of the Stavrou and Swiercz four-factor theory model, including considerations such as traditional systems, cultural customs and social concepts.

3.1 Questionnaire design

This thesis mainly involves the factors affecting incumbents' willingness to choose their children as successors and the willingness of successors to inherit family business. Besides, this thesis analyzes factors which cause conflicts in the process of family business inheritance.

3.1.1 Description of problems

(1) Factors influencing the willingness of incumbents to choose their successors

The most important step in the family business inheritance process is to appoint the successor. The appointed successor must have the ability to manage the enterprise, plan and

direct the development of the enterprise. Therefore, the choice of the successor often needs to be considered in many aspects. Incumbents can find out through a large number of practical examples in life that incumbents choose their children as successors.

As for the reason, on one hand, influenced by the traditional concept that “children should take over family business from parents”, the business incumbents prefer to hand over power to their children; on the other hand, children who inherit the family business often tend to cherish the efforts which incumbents have made over the years. For corporate executives, company directors and other stakeholders, once the business has new leader, it means great changes to management style, organizational structure, personnel and development strategy. Therefore, the company’s senior officials will actively participate in the choice of successors, but ultimately the decision-making power is still in the hands of incumbents. It is necessary to study the willingness of incumbents and analyze the influencing factors.

(2) Factors influencing the successor’s willingness to inherit

For the successors of a family business, their willingness to inherit the family business is not the same due to various factors. From the perspective of potential successors, not all successors are willing to inherit family business. Before successors make inheritance decisions, they often consider factors that affect their own willingness to inherit such as their own abilities, family business development prospects, self-fulfilling pursuits and so on. They will judge whether they can use their own abilities to make the company continue to improve, whether they can achieve their own life ambitions when working in the enterprises.

The willingness to inherit, that is, to what extent, successors would like to take over their family businesses. Investigating the influencing factors of the potential successors’ inheritance will help the incumbent and the successor to prepare for the inheritance process. Therefore, it is also necessary to study successors’ willingness to inherit and analyze the influencing factors of the will.

(3) Factors influencing conflicts in the family business inheritance process

There are conflicts in the power transfer of family businesses. If conflicts are not handled properly, it will cause serious consequences, from affecting performance, disrupting the smooth progress of the company’s inheritance process to the survival and development of the company. Zhang (2010) uses *Fangtai*, *Galanz*, *Hongdou* and other ten companies as an example to illustrate whether the smooth transfer of power has a positive impact on the development of enterprises. In a family business, the relationship of mutual respect and

mutual understanding between the incumbent and the successor can enable both parties to feel the support and recognition from the other party and establish a virtuous circle of trust and feedback, but sometimes there are some conflicts, the cause of conflicts is fundamentally the difference between the successor and the incumbent in value judgment, that is, the difference between the willingness of successors to inherit and the choice of the incumbents.

Therefore, it should be measured that what extent conflict factors affect the process of inheritance based on the difference between the willingness of successors to inherit and the choice of the incumbents.

3.1.2 Questionnaire assumptions and variable definitions

Based on the improved Stavrou and Swiercz four-factor theory, the above problems are analyzed from four aspects: individual, family, enterprise and society. Based on the previous problem description, the following assumptions are made:

H1: The willingness of incumbents to choose their children as the successors is affected by individual factor;

H2: The willingness of incumbents to choose their children as the successors is affected by family factor;

H3: The willingness of incumbents to choose their children as the successors is affected by enterprise factor;

H4: The willingness of incumbents to choose their children as the successors is affected by society factor;

H5: The willingness of successors to inherit is affected by Individual factor;

H6: The willingness of successors to inherit is affected by Family factor;

H7: The willingness of successors to inherit is affected by Enterprise factor;

H8: The willingness of successors to inherit is affected by Society factor;

H9: Conflicts in family business succession are caused by Individual factor;

H10: Conflicts in family business succession are caused by Family factor;

H11: Conflicts in family business succession are caused by Enterprise factor;

H12: Conflicts in family business succession are caused by Society factor;

Further, the relevant variables are defined as follows:

(1) Individual factor

Individual factor includes the individual ability of the successors, the identity of the family business, and the pursuit of self-realization.

(a) The individual ability of successors

A successor requires adequate individual abilities, including the level of education and professional experience.

Education level: It is generally believed that people with high academic qualifications have strong learning ability and are more likely to accept challenges and innovation.

Therefore, under the same conditions, the higher level of successors' education, the faster they can adapt to the family business environment, the more they can employ their abilities under high pressure and competitive environment, and the more they are willing to accept new ideas for the reason that they are bold and innovative, which all are beneficial to the development of family business. Therefore, the incumbent will consider the educational level of successors when choosing. Moreover, the incumbent of Chinese family-owned enterprises mostly adopts the higher education model when bringing up children. After many years of hard work, Chinese incumbents know the importance of knowledge, so they will consciously let the children accept Good higher education to prepares for the inheritance process early. At the same time, as a well-educated successor, they may have their own life pursuits outside the family business because they have experienced a lot and have received extraordinary education. Therefore, education level will affect their willingness to inherit to some extent.

Professional experience: In addition to the education level, successors must be able to combine theory with practice, that is, the ability to scientifically manage the enterprise.

On one hand, if the successors can join in the family business earlier, they can enrich their management experience of the enterprise and fully understand the business management philosophy of current leaders. Compared with successors with average performance, the longer succession of the successors in the enterprise, the faster the growth of family businesses. In addition, the succession of the successors from the fundamental positions to the leaders has a positive effect on the performance of family businesses, this is in line with Chinese tradition of working steadily and steadily since ancient times and the successors can get along well with employees within the company during the promotion process. On the other hand, work experience outside the family business can provide successors with a variety

of experience in successfully launching new strategic decisions and creating new leadership teams as soon as possible. Successors can also realize that whether their abilities and preferences are in line with the actual needs of family business development and recognize difference between working for others and being your own boss. Internal and external work experience has a significant impact on whether they can become successors.

(b) Identity of family business

Family business identity means that the successors believe that joining family businesses can obtain benefits and meet self-fulfillment requirements. It includes the successor's recognition of family business operational philosophy, the recognition of the family business operation, and the satisfaction of being able to get satisfaction from recognition, etc. Different senses of family businesses of the successors will make their inheritance intentions different. For the incumbent, the successor's sense of identity for the family business is also a consideration for them to decide whether to choose their children as successors.

For the successor, from a positive perspective: joining family business can gain power and a certain social status, realize management of enterprise as a manager; if the content of family business is consistent with their own interests, they can employ their own abilities; working in a family business can promote relationships with parents which will increase the identity of the successor to family business. From a negative point of view: successor who inherits family business has lost the joy of struggle; inheriting family business means under parent's glory and supervise which is difficult for successor to show personality; the content or operating status of the family business is not his/her preference, which will reduce the identity of the successor to the family business. In short, if there is a strong sense of identity with the family business, the successors will tend to use their talents and contribute their own energy when working in the enterprise, and they will also seriously consider the development path of the enterprise. In contrary, if the successor has a poor identity of the enterprise, he or she will not have too much work enthusiasm, which is not conducive to the true level of the successor.

(c) Self-fulfilling pursuit

Influenced by time variation, the pursuit of individual self-realization has new interpretations and definitions. The elder generation and the next generation will have different values. The incumbent is full of emotions for family business which has been managed for many years. Incumbents hope that children can inherit family business and consider that as a matter of great glory and pride. While successors are more personalized in

their self-realization and their value orientation are closer to the new era. There are many family businesses that belong to the traditional manufacturing industry. The workers in these enterprises usually do repetitive and mechanical work. Young people who grew up in the computer age are more or less resistant to these forms of work. They want to be able to do some works that enable them to realize their own skills, such as the potential successor of learning programming hopes to engage in an Internet-related work, etc. Therefore, there will be a great contradiction that affects the will of successors to inherit family businesses.

Because the successors and the incumbents are in different times, education level and concepts they experienced are different, two generations must have different point of views.

From the perspective of successors, on one hand, it is a career that cherishes efforts and emotions of their parents; on the other hand, it involves their own interests and pursuits. Whether it is to bear the family responsibility to inherit the career of their family or to pursue their own dreams, the successors need to make decisions. When confronting with employment problems, it is undoubtedly an alternative way for successors to inherit family businesses because they can enjoy the wealth accumulated by family and directly obtain social status. Starting their own businesses or choosing other work means they must start from the scratch. Whether it is to enjoy the benefits of families or to start their own businesses is what the successors need to carefully consider. Judging from the willingness of the incumbents, most incumbents are influenced by traditional thoughts and hope that their children will inherit enterprises. However, when choosing the appropriate successor, they will also consider the individual ability of successors and their willingness to take over.

(2) Family factor

Family factor mainly includes family structure, family intimacy and family adaptability. Obviously, the harmony of family relationships can positively affect the progress of the enterprise's inheritance plan. families who work together and whose members support each other are more likely to effectively pass family businesses to next generation and realize the harmonious development of the family business.

(a) Family structure

The family structure refers to the composition of family members, including family patterns formed by family size, composition, and type.

The difference in family structure may have an impact on the willingness of the successor to inherit and the willingness of the incumbent to choose a child as the successor.

At present, there are many mature classifications which stand for the division of family structure in academia. Ying (2009) believes that family structure has an important influence on the choice of family business inheritance model, and even the marriage history of family business owners will directly influence the decision of the next generation of successors. Bennedsen et al. (2015) further believe that the family structure characterized by children can explain the decision-making behavior of family businesses. When the first child of the founder of the family business is male, the probability of choosing the child inheritance is significant, which is higher than the female. If the family attaches importance to the training of successors, enhances the family education function, and increases the investment of human capital in the family and the whole society, it will undoubtedly contribute to the development of human resources in enterprises and society and also plays an important role in the cultivation of family business successors.

(b) Family intimacy

Family intimacy refers to the emotional connection between family members. It can be expressed in the form of family members' communication, daily atmosphere, activities, etc. It can be divided into four levels: loose, free, intimate and overly intimate.

As independent individuals, family members must have individual needs and performances, but they are also related to the family. The specific manifestations are: whether family members' emotions are independent; whether family members can make joint decisions; whether family members understand each other and support each other; whether family members are closed and communicate frequently; whether the relationship between family members is moderate or not. Too high or low family density is harmful to family atmosphere and thus affect the family business heritage. In over-relaxed families, members have weak connections and do not act as a common interest entity; in over-intimate families, members are completely dependent on others and dictatorship individualism is heavier. Family harmony can promote the related trust, understanding and knowledge level of family members, and thus contribute to the intergenerational inheritance of leadership rights. Besides, the harmony of family members has a significant impact on the smoothness of the inheritance process.

(c) Family adaptability

Family adaptability, that is, the ability of the family system to change its power structure, role distribution or family rules in response to external environmental pressures or family development needs, can be divided into four levels: rigid, regular, flexible, and irregular.

The specific manifestations are: whether family members can accept the assigned role; whether family members can support each other when they work together; whether family members have equal relationships and can make decisions in a democratic way; whether family members are diverse or not and whether the rules are flexible; whether role assignment of members and task arrangement are clear, etc. For stiff families, elders are used to making decisions for others, and rarely communicate or negotiate. In addition, the rules of the family do not allow for flexibility. The roles and responsibilities of family members are distinct and they perform their own duties. For families that are too flexible, there is unclear decision-making mechanism with no fixed leaders, low efficiency of solving problems and unclear roles and responsibilities between members, but they can be beneficial from individual development.

The family concept has left a strong impression on Chinese people through a long history. However, due to changes in family size and time variation, successors are no longer advocate that family interest is more important than individual interest, they prefer the pursuit of personal development and the realization of self-worth rather than being a tool for the development of family businesses. Thus, understanding of family relationship between the successor and the incumbent may be in conflict.

(3) Enterprise factor

Families and enterprises are complex social entities, all of which are in dynamic development and change and have certain complementarities which contribute to the existence of family businesses.

On one hand, the accumulated wealth and connections of the family can provide convenience for the enterprise in the initial stage or the development period, which is conducive to the development of family business and reduce the agency cost of family business. On the other hand, managing and developing enterprise can maintain existing family fortune, enhance rights and social status. Moreover, the development of enterprises requires joint efforts of family members, which inevitably enhances the cohesiveness of family and facilitates the development and continuation of family. Enterprise factors include the prospects for family business development, the state of family business operations, and the family's influence on family business.

(a) Prospects for family business development

The industry and scale of family business determine its future development prospects,

and the prospects will affect the choice of successors and the willingness of successors to inherit.

If prospects are bright, successors will be more willing to dedicated to their family businesses; if prospects are flat, successors are more inclined to start a new business. The industry attribution also has a decisive influence on the choice of family business successors. On one hand, different development modes of different industries affect the choice of enterprise inheritance mode. Studies have found that family businesses in emerging industries such as information technology are more able to accept professional managers or excellent internal staff to take over enterprises and incumbents do not force their children to inherit. On the other hand, larger family businesses are better able to bear the costs of setting up and running corporate governance mechanisms. The relative size of the enterprise will affect its governance environment. The relatively perfect corporate governance structure is more conducive to the improvement of successor's individual ability. In addition, larger family business has higher requirements for the successor's individual ability, which in turn will force the successor constantly improve their ability to better prepare for succession.

(b) Family business operations

The level of family business operations directly affects whether the successors can successfully inherit family businesses. When the successor inherits the enterprise, he or she must accept the audit of the enterprise veteran or the corporate executive team. The family business with high operation level can reduce the contradiction among business owner, other leaders and successors.

In the handover process of the family business, the relationship between the enterprise veteran and the successor is both subtle and embarrassing. The veterans are working with the parents of the successor and dedicate themselves to family business, but the successor may suspect them due to management ideas where are full of gaps and contradictions. In the process of choosing a successor, the veteran may become a stumbling block to the successor.

The behavior of the family business executive team is also crucial in the process of the successor inheriting the family business. When the senior management team does not recognize the successor or fawn on the successor, it is harmful to the successor inheriting the enterprise, and even lead to the failure of the handover, resulting in external losses. Therefore, at the moment of inheritance, it is important to unite executives to ensure internal harmony.

(c) Family influence on the company

In the process of inheritance, the original corporate tradition will not be fundamentally divided by the inheritance of wealth. In turn, the founders are trying different ways to transfer the property and social capital to their children which offer them sense of security.

However, in reality, the incumbent often neglects the construction of inheritance culture of family business, which poses hidden dangers to the development of the enterprise and brings great risks. Although the family has absolute right in the enterprise, the development of family business is inseparable from efforts of all employees. Therefore, enhancing employees' sense of responsibility, belonging and loyalty to the enterprise can effectively help the successor to complete the transfer of power.

In addition, most of the family businesses developed in the last century, mostly in the traditional industry, mainly in the labor-intensive manufacturing industry. In these enterprises, most of the employees repeat simple and mechanical work, and the daily work welfare is relatively imperfect. Therefore, most of the employees in these enterprises do not have much feelings for the company. They just regard the enterprise as a place to make money and will not make suggestions for the development of the company. With the development of technologies such as the Internet, artificial intelligence, and big data, knowledge-intensive industries have replaced traditional labor-intensive manufacturing industries. Since these high-techs are not necessarily accepted by the elder generation, the incumbents and successors will certainly have conflicts of opinion in the formulation of corporate development strategies. The elder generation hopes that enterprises can develop steadily, while the new generation mostly likes innovation, reform, and is more aggressive in the development of new projects and new products.

For example, in terms of employing people, the elder generation likes to use the veteran, and the new generation likes to use young potential people. The older generation believes that the veteran is highly loyal to the family business. They value the quality of their employees. The new generation prefers to use new people because they believe that newcomers generally have strong abilities and can bring fresh vitality to the organization. It can prevent organizations from entering a state of inertia. This difference can also be seen in enterprises. For example, in the manufacturing industry where most of the older generation is in power, there are many employees with long working hours, while some new companies will employ a large number of employees with competence and the turnover rate of these companies is generally higher.

In general, the elder generation of entrepreneurs are more familiar with traditional industries such as manufacturing. However, in the Internet era, older entrepreneurs with low education level are short of innovative thoughts; the next generation successors prefer to use Internet technology and innovative marketing tools.

In the accumulation of wealth, the next generation of leaders are not willing to imitate, they are more inclined to innovate and reform, and even invest in completely different industries. The next generation often contradicted the conservative style of the elder generation. According to statistics (Ying, 2009), 85% of the next generation of family members believe that “diversification” is the main strategy for expanding family wealth, while elder generation members are more concerned with the maintenance of assets and believe that the risk of diversification is too high.

(4) Society factor

Society factor mainly include the employment environment, market environment and inheritance environment.

(a) Employment environment

The intensity of competition in the external labor market and the employment pressure of graduates caused by college enrollment will affect the successors when choosing to inherit the family business. The more severe the employment situation, the bigger the pressure on potential successors to work outside the family business. This pressure will allow potential successors to consider inheriting family businesses and gain stronger willingness to inherit the family business is stronger.

Participants hope that their children will inherit the family business because of the fear of a serious employment situation. Different from foreign countries, they advocate freedom and encourage their children to have different self-sufficiency. Domestic parents give their children very high financial support and are keen to plan their children’s career. They do not want their children to travel around. Therefore, owing to the mentality of caring for children, the worse the employment environment is, the more able the incumbent can accept their children to work in the family business.

(b) Market environment

China’s existing laws recognize and protect the legal status of private property, moreover, changes in the government’s relevant policies and changes in the external environment of the company’s market dynamics have also contributed to the success of the succession and the

development of conflicts. However, the province's protection of private property is far less than the protection of public property. This imperfection of the legal system is one of the important reasons for Chinese family businesses to choose children as successors. The lack of legal system leads to the inability of the incumbent to trust professional managers, and the choice of their own children or family members to inherit the enterprise can avoid their own efforts to be encroached by others. There are great obstacles for domestic professional managers to join in family businesses, mainly because the family business distrusts professional managers. The distrust of professional managers by family businesses is reflected in the fear of externally controlled. In order to prevent family businesses from falling into the hands of others, most incumbents tend to deliver the company to the next generation who is related to themselves. On one hand, it is the continuation of their own efforts; on the other hand, it is also a job guarantee for their children.

“Children take over businesses from parents” is the most typical inheritance mode of family business. This is related to China's underdeveloped market environment. This mode cannot only ensure the security of wealth, but also maintain the consistency of business philosophy to a certain extent. Under the condition that the market economic system is still not perfect, aforementioned inheritance mode is an important incentive mechanism to maintain wealth growth. Many successors expressed their reluctance to inherit family businesses. Part of the reason is that in the current market environment, most family businesses are old-fashioned family management modes and the enterprise system is not perfect. While the successors have their own opinions and hope to start a new career.

(c) Inheritance environment

Intergenerational inheritance is a natural law derived from the development of human society. In the traditional Chinese society, people have a strong family concept, and “children take over businesses from parents” has its traditional ethics.

The Confucian highly respects the family and attaches importance to ethics. He thinks that family is a very cohesive group, and the trust between family members is much higher than that of outsiders. Affected by this, incumbents instinctively prefer ties of blood to ability when choosing successors. The traditional culture with strong family concept has a decisive influence on the selection of successors. When the successors have a part of their peers inheriting their family businesses, they may follow the mainstream choice to inherit the family business. When a corporate executive holds a positive attitude toward the successor, the successor will also tend to inherit the family business.

Most incumbents grew up in the 1950s and 1960s, and the hard-living environment gave them the spirit of tenacity, hardship, and courage. Creating enterprises in an era of imperfect systems made them have stronger mental strength. They value the sense of mission and responsibility. While most of the next generation have a great growth environment and opportunities to study abroad. The children born in new era are most interested in self-fulfillment, which leads to differences and contradictions.

After a long period of cultural accumulation, how to inherit the family business has formed some profound concepts in Chinese society. For example, Confucian culture emphasizes protecting young and respecting elderly. Family members divide their respective identities, roles and social relationships in organization. As time goes on, the emergence of professional managers and the impact of gender equality will break the stability of this idea. In some emerging industries such as the Internet, Artificial intelligence and other industries, most of them are just emerging. Some of these companies are acquired by traditional family businesses. For the management of these enterprises, traditional management concepts and management knowledge may not be available. Thus, in order to make the company run better, it is necessary to hire a more professional manager to assist the incumbent in the enterprise to manage the enterprise.

The model is shown in Figure 3-1.

As Figure3-1 shows, the hypotheses from H1 to H4 are aimed at the first dependent variable, that is, the willingness of the incumbent to choose the child as the successor; the hypotheses from H5 to H8 are aimed at the second dependent variable, that is, the successor's willingness to inherit; the hypotheses from H9 to H12 are aimed at the third dependent, that is, the difference between the successor's willingness to inherit and the willingness of the incumbent. Hypotheses of H1, H5 and H9 respectively propose the influence of individual factor from the perspective of the incumbent, the successor and the inheritance process. Similarly, Hypotheses of H2, H6 and H10 propose the influence of family factor, hypotheses of H3, H7 and H11 propose the influence of enterprise factor and hypotheses of H4, H8 and H12 propose the influence of society factor respectively.

3.1.3 Questionnaire design

Based on the research framework, relevant theories of family business inheritance process are used in this thesis to design a questionnaire to investigate the influence of individuals, families, enterprises and society on the family business inheritance process and analyze the

specific performance and reasons of conflict factors in the inheritance process. The individual social capital, the educational level of the successor, the individual ability of the successor, the professional experience of the successor, the family members, the relationship between family members, the size of the enterprise, and the industry to which the enterprise belongs are all objective facts which mentioned above, suitable for multiple choice questions, therefore, is part of the questionnaire; individual will, individual values, family interpersonal orientation, incumbent prestige, team cohesion, team culture, traditional culture and conflicts between traditional culture and contemporary ideas, conflicts in the real environment, which are difficult to objectively describe the conflict factors caused by improper inheritance path, and it is suitable for the answering method of the scoring system.

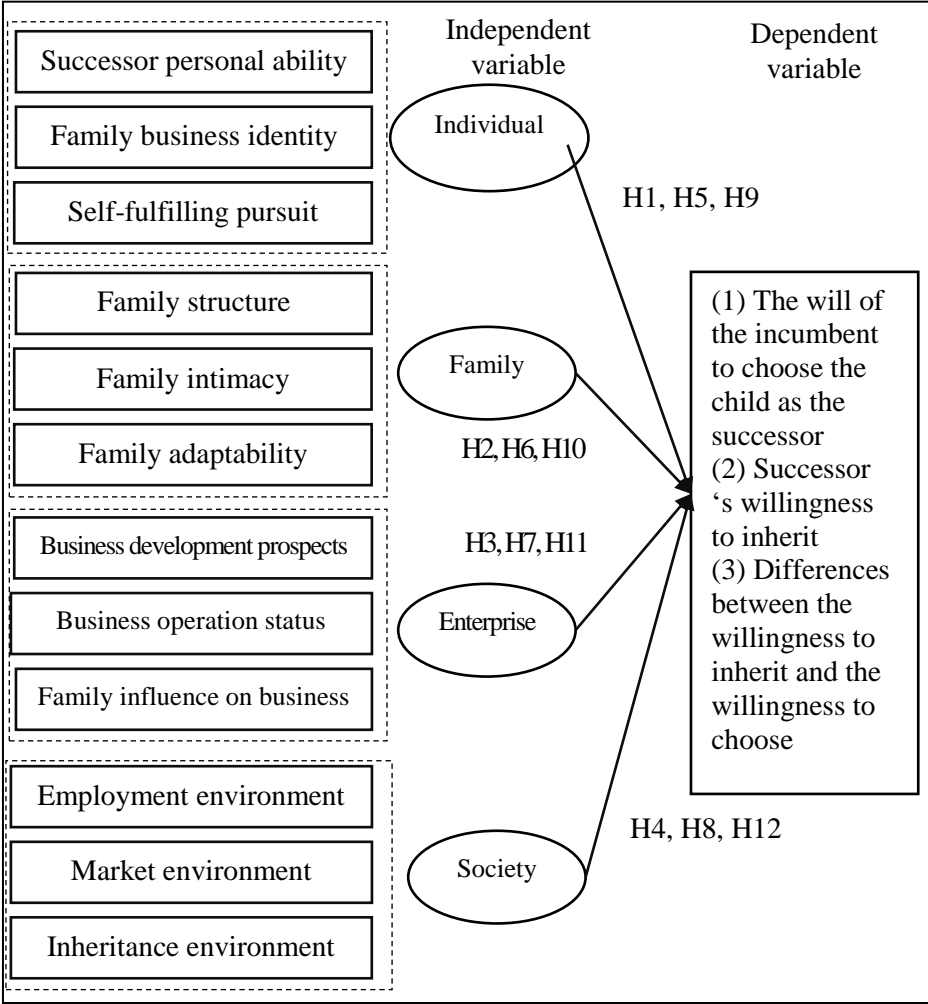


Figure 3-1 Empirical model diagram of family business inheritance

The questionnaire is divided into two parts (question part 1-2), in which part 1 of the questionnaire belongs to the objective basic information volume, which mainly investigates the basic situation of the respondent's individuals and relatives, as well as the relevant

information of the family business. The basic situation of the survey is to grasp the distribution of the gender, age, education and professional experience of the respondent; the purpose of asking the relatives is to understand the status of the respondents in the relatives and the position in family businesses; The basic information of the family business is to reflect the business status of the enterprise. Part 2 of the questionnaire surveys respondents' views on the choice of family business successor and the factors that influence the family business heritage process.

It should be pointed out that as a “potential successor” to the family business, the “potential successor”, while filling out this questionnaire, although he/she cannot decide the candidate, he/she can still give suggestions on the choice of the successor and his/her parents. In the same way, when the respondent is the “incumbent”, they can give their voice to successors' choices and inheritance plans, as well as their judgments on successors. Considering the actual situation of Chinese family businesses and expanding the coverage of the questionnaire, the “incumbent” is not necessarily the family business owner or the founder himself, but should be the same as the actual controlling person and participate in the family business management. (for example, the controlling person is a husband and wife, a direct brother, etc.) In the future, the family business will execute the power transfer, and the “incumbent” will gradually fade out the management of the family business, which completes the inheritance process.

According to the research framework, the family business inheritance process is subject to four factors: individual, family, enterprise and society. The measurement terms are designed partially according to Björnberg and Nicholson (2007) with some modifications, forming a total of 48 statements (12 for each factor) in part 2 of the questionnaire. In order to describe and quantify this subjective concept, the respondents were asked one by one about the degree of consent of the respondents. The respondents use “extremely disagreement, very disagreement, disagreement, neutrality, agreement, very agreement, and extreme agreement” as the answers, respectively according to the 1-7 of the Likert scale.

Among them, individual factors include the individual ability of successors, the identity of the family business, and the pursuit of self-realization; family factors including family structure, family intimacy and family adaptability; enterprise factors including the prospects for family business development, the state of family business operations, and the family's influence on the business; society factors include employment environment, market environment, and inheritance environment.

Thus, questionnaire part 2 contains 48 items (questions) in 12 dimensions and 4 factors, as shown in Table 3-1.

Table 3-1 Composition of subjective statements in the questionnaire

Factor	Dimension	Item	Statement	
Individual	Individual ability	Aa1	Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	
		Aa2	Parents believe that the working ability is more important than educational background for a successor	
		Ab1	The child hopes to become the successor of his/her family business one day.	
	Identification of family businesses	Ab2	The child hopes to prove his/her talents out of the family business.	
		Ab3	The child is not willing to work under the influence and shadow of his/her patents.	
		Ab4	The child hopes to work together with his/her parents for more time.	
		Ab5	The child is very interested at the family business.	
	Self-realization pursuit	Ac1	The family business is a platform where the child realizes his/her dreams and ambitions.	
		Ac2	The child feels honored to contribute to the family business.	
		Ac3	The child hopes to establish his/her own business in the future.	
		Ac4	A young man shall open up his/her own business and shall not reap where he/she has not sown.	
		Ac5	Working at the family business obliterates the personality and independence of the child.	
	Family	Family structure	Ba1	Parents expect a male successor even if he is not the eldest son in the family.
			Ba2	Parents hope the eldest child will inherit the family business even if the child is the female.
			Ba3	The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.
Ba4			The parents hope the child can stay and work at the family business, but not necessarily become the successor.	
Family intimacy		Bb1	The two generations in the family are happy to share their management experience.	
		Bb2	Family members enjoy spending their spare time with each other.	

		Bb3	All of the children in the family are equally cared.
		Bc1	The family members sincerely cooperate and work as team members.
		Bc2	The family members recognize the work results of the other.
	Family adaptability	Bc3	Each of the family members takes part in major decision-making of the family.
		Bc4	The family members discuss and positively face what has happened.
		Bc5	The responsibilities and obligations of each family member are arranged in a flexible way.
	Prospects of family businesses	Ca1	The existing model of the family business is unable to face the change of markets.
		Ca2	The successor will be entrusted with an important post when the family business undergoes a crisis in the future.
		Ca3	All of the employees are full of confidence about the development of the family business.
	The state of family business operations	Cb1	The business model is obsolete and has become an obstacle for further development.
		Cb2	The family business has good operating and financial conditions.
		Cb3	The family business has clear short-term and long-term planning.
		Cb4	The family business has a sustainable performance evaluation and promotion system.
Business	Family influence	Cc1	The suggestions raised by the employees are often not adopted at the family business.
		Cc2	The operation of the business system is often disturbed by kinship.
		Cc3	Most of the powers of the business are under the control of parents.
		Cc4	Few of the members out of the family take part in decision-making of the family business.
		Cc5	The family business is open to different viewpoints in decision-making.
	Employment environment	Da1	Rapid economic development brings young generation many opportunities.
Society		Da2	The macro-economic situation reduces employment posts and leads to heavy employment pressure.
		Da3	As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.

	Da4	With many external opportunities, it is not necessary for the children to stay at the family business.
	Da5	Working out of the family business is more beneficial to the development of children.
Market environment	Db1	The business needs insiders to manage, since it is hard to find a loyal professional manager.
	Db2	The major scope of business is limited in a sunseting industry.
	Db3	There is a lack of laws punishing disloyal professional managers.
	Db4	The children are required to share weal and woes together with the elder generation in the unstable situation.
Inheritance environment	Dc1	It is common for the children's friends to enter the family business after graduation.
	Dc2	The business executives hold positive attitudes when the management is taken over by the children.
	Dc3	The employees of the business accept the continuing management and leadership of the child.

3.2 Questionnaire content

3.2.1 Questionnaire respondents

Concerning research subject - family business in this thesis, most of the domestic family businesses in China are established within China's Yangtze River Delta and Pearl River Delta. This is mainly because the family businesses in Jiangsu, Zhejiang and Guangdong provinces have developed earlier, which brings the realistic condition that some of them have even entered the next generation operations, providing many successful or failed cases. In addition, the development of family businesses in such provinces is very active in the provinces' economy, thus it is necessary to study the inheritance process of family businesses in the region. Therefore, this survey is based on the entrepreneurs and corresponding successors in Zhejiang and Jiangsu provinces (including the potential successors and confirmed successors). The choice of the sample company satisfies the narrowly defined standard that the family members own more than 50% of the ownership (controlling rights) of the enterprise, and two or more family members participate in the operation and management of the enterprise. Questionnaires were distributed on the Internet in a randomized form, effectively recovering 246 copies, of which 156 were "children's generations" of family businesses, that is, potential family business successors; and 90 "parent generations" belonging to family businesses.

Among them, the relationship between the 156 respondents who belong to the children and 90 respondents who belong to the parents is not known.

3.2.2 Questionnaire process

The questionnaire survey takes the form of online and offline combination. The online form is the main distribution channel. Firstly, design relevant questions via investigation website and then the questionnaire link is distributed to the respondents through email, WeChat, QQ and other tools. Offline is mainly used through junior and senior students, they distribute the questionnaire to people from the family business. Considering that the questionnaire has a lot of questions (each respondent needs to answer about 60 multiple-choice questions), and the number of respondents is relatively limited, in order to motivate the respondents to complete the questionnaire, the questionnaire is paid to people who complete it.

In addition, whether the respondents are serious about answering and whether there are any false reports will affect the credibility of the subsequent analysis. When designing the questionnaire, in order to identify to a certain extent, the respondent did not seriously answer the question, the objective problem in Part 1 of the questionnaire implies a logical relationship (for example, the gender of the respondent cannot be both male and female). When respondents submit questionnaires, they would automatically perform an automatic validity screening for each questionnaire. Once an invalid combination occurred, the entire questionnaire is judged as an invalid questionnaire and is not involved in subsequent statistical analysis. At the same time, based on the comprehensive quantitative analysis of the authenticity of the answer and the quality of the content, the respondent was given additional rewards. The above rewards were communicated to the respondent in advance, but the respondents did not know the specific content of the quantitative analysis of authenticity.

Through the paid questionnaires and techniques of questionnaire design, the quality of the questionnaires collected is generally satisfactory. A total of 318 questionnaires were retrieved from the survey process (obtained through the background data of the questionnaire system). After screening out all invalid questionnaires (unfinished and questionnaires with invalid answers), a total of 246 valid questionnaires were left, with an efficiency close to 80%. The follow-up analysis is based on data from the 246 valid questionnaires.

3.2.3 Basic information of respondents

Of the 246 respondents who corresponded to the 246 valid questionnaires, 156 of which belong to the “children’s generation” of the family business, that is, the potential family

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance business successor; 90 of which belong to the “parent generations” managing the company can decide or influence the process of inheritance of family business. The basic information is shown in Table 3-2.

Table 3-2 Statistics of basic information of respondents

The respondents as the incumbent				N=90	
Age	Proportion	Gender	%	Educational background	%
18-24	1.1%	Male	72.2%	Lower than junior middle school	18.9%
25-35	4.4%	Female	27.8%	Junior middle school	31.1%
36-45	37.8%			Senior middle school	26.7%
>45	56.7%			Postsecondary Specialized College / Technical school	11.1%
				Undergraduate (Bachelor's Degree)	6.7%
				On-the-job postgraduate (MBA, MPA, MPAcc, etc.)	2.2%
				Full-time Postgraduate (Master Degree)	2.2%
				Full-time Postgraduate (Doctor Degree)	1.1%
The respondents as the successor				N=156	
Age	Proportion	Gender	Proportion	Educational background	Proportion
18-24	47.4%	Male	56.4%	Lower than junior middle school	0%
25-35	34.0%	Female	43.6%	Junior middle school	13.5%
36-45	16.0%			Senior middle school	12.8%
>45	2.6%			Postsecondary Specialized College / Technical school	32.7%
				Undergraduate (Bachelor's Degree)	28.2%
				On-the-job postgraduate (MBA, MPA, MPAcc, etc.)	7.0%
				Full-time Postgraduate (Master Degree)	4.5%
				Full-time Postgraduate (Doctor Degree)	1.3%

Among the 90 incumbent questionnaires collected, the proportion of those who were 18 to 35 years old was only 5.5%, and the proportion of those who were 46 years old or older

was the highest, which reaches 56.7% and is followed by those aged 36 to 45 whose proportion is 37.8%. This statistical information is consistent with China's national conditions. The emergence of most family businesses in China was created during the reform and opening-up period. Among the 156 potential successors questionnaires collected, the successors over the age of 46 accounted for only 2.6% and the most prolific was the successors of the 18-24 age group, reaching 47.4%. Among all the respondents, they are 18 to 35 years old and 46 years old or older. Most of the former belong to the "children's generation", which is the potential family business successor, in the questionnaires filled out by potential successors, the proportion of family business successors between the ages of 18 and 35 reached 81.4%; the latter mostly belong to the "parent generation" of the family business, that is, the incumbent of the family business, in the questionnaire filled out by the incumbent, the proportion of incumbents aged 46 and over reached 56.7%..

The previous generation of the company was mainly over 45 years old. Most of them started their business after 1978. The education level of them is mainly junior high school and below. Few of them is high school, undergraduate and master's degree, almost no doctoral degree, in the 90 incumbent surveys collected, only one incumbent owns a doctoral degree, the incumbent's academic qualifications are ranked in the top three in order of junior high school education (31.1%), high school or technical secondary school education (26.7%), and junior high school education or below (18.9%). Relatively speaking, the low degree of education is a common social feature of elder generation of family businesses. After 40 years of development, family businesses have to enter new era and begin to train successors to prepare for the inheritance of enterprises.

The age of corporate successors is mainly concentrated in 18-35 years old, and the education level is mainly concentrated in junior college and undergraduate, accounting for 32.7% and 28.2% respectively, more than 70% of people have at least received high school education, and more than half of them have overseas experience (including Hong Kong, Macao and Taiwan), and a small number of students are doctoral, high school and below. Because most parents of family businesses will consciously train their children and hope they could become family business successors and keep the family business prosperous.

In the 90 incumbent surveys, there is a large gap between the data of males and females. 72.2% of the incumbents are male, and the proportion of females is only 27.8%, which is consistent with the reality. Since ancient times, China has a certain degree of patriarchal thinking and family businesses run by male incumbents tend to develop better. In the 156

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance potential successors questionnaires collected, the ratio of male to female is basically the same, because the identity of the respondents who participated in the questionnaire is a potential successor, and has not really become the actual power of the family business. This ratio is roughly the same as the population of China.

Table 3-3 Statistics on family structure characteristics

Number of children	Proportion	Number of immediate brothers	Proportion (except for only children)	Number of direct sisters	Proportion (except for only children)
1	13.5%	0	17.8%	0	38.5%
>1	86.5%	1	30.4%	1	39.3%
		2	22.2%	2	14.1%
		>2	29.6%	>2	8.1%

Among the survey results, the sample companies' next generation of men accounted for 56.4%, and women accounted for 43.6%. According to Table 3-3, it is also found that only 13.5% of the survey respondents were the only children in the family. The distribution of immediate brothers and sisters of the potential successors can be found in the Table, too. The proportions for the numbers of immediate brothers being 1, 2, 3 and above are close to each other, which is 17.8%, 30.4%, 22.2% and 29.6% respectively. While the proportions for the numbers of immediate sisters being 0 and 1 (38.5% and 39.3%) are higher than those for the numbers being 2, 3 and above 3 (14.1% and 8.1%). This indicates that people prefer boys to girls under the influence of the Chinese traditional childbearing ideology, and thus the immediate sisters are less than the immediate brothers in the family composition.

As a result, their parents are aged around 50 or 70, respectively. In the past 20 to 30 years, the parents usually started to establish family businesses in their 20s and 40s. The former belonged to the youth business, and the latter belonged to the middle-aged business. It was basically in line with the 40 years of reformation. After years of development and accumulation, the family's eldest son and daughter have grown up (distributed between 25 and 35 years old), while the latter's children have entered middle age (46 years and older) and will become the main force of the family business.

In the case of having brothers and sisters in the family, incumbent can consider the willingness of the next generation to inherit, give priority to the next generation who is willing to inherit, and then decide according to the comprehensive ability. Families with more brothers and sisters have certain advantages in facing the succession of enterprises. They have

more choices. Parents can consider choosing one of their capable children to inherit, and at the same time, taking into account the personal wishes of their children, which have positive impact on sustainable development of family business; the next generation can express their own willingness to inherit and have more opportunities to choose what they want to do. However, there are also disadvantages in the case of many brothers and sisters, for example, there will be a phenomenon in which fierce competition occurs in the family business that in turn leads to contradictions within the family.

3.2.4 Status of the family business

According to Table 3-4, in this survey, 101 family businesses have assets of less than 1 million yuan, which are common family workshops and small enterprises in rural areas, besides, the proportion of family business assets between 100 and 10 million reached 17.9% and 16.7% respectively.

Table 3-4 Statistics of sample enterprises

Enterprise industry	Proportion	Initiation method	Proportion	Enterprise assets	Proportion	Number of employees	Proportion
Electrical machinery and equipment	7.7%	Person-initiated	41.1%	<1 million	72.7%	<10	47.6%
Plastic products	15.9%	Brother partnership	17.9%	1~5 million	23.6%	10~50	32.9%
Metal products	7.7%	Two generation cooperation	16.7%	5~10 million	3.3%	50~100	13.0%
General Equipment	1.2%	Couples	8.9%	10~50 million	0.4%	100~300	4.5%
Professional Equipment	4.5%	Child inheritance	13.4%	50~100 million	0	300~1000	2.0%
Auto and motorcycle	16.7%	Other	2.0%	100~500 million	0	1000~2000	0
Medicine	2.8%			≥500 million	0	≥2000	0
Chemical industry	4.9%						
Ship construction	0.8%						
Other	37.8%						

In terms of industries, because our survey targets are mainly in Zhejiang and Jiangsu provinces, most of them are mainly manufacturing industries, and the industrial structure determines the distribution of options. Most of these enterprises focus on automobile and motorcycle parts and plastic products, whose proportions are 16.7% and 15.9% respectively. In addition, through the analysis of many employees in the family business, it is found that the number of employees is mainly concentrated within 100 people, accounting for about 93.5%. On the whole, the size of the family business as the target of the survey is mainly small and medium-sized manufacturing enterprises.

The survey also shows that the incumbents are mostly the founders of family businesses, and their entrepreneurial methods are mainly based on individual creation, accounting for 41.1%. Individual enterprises are founded by individuals. Their main characteristics are individual capital contribution, individual business, individual self-financing and self-sustaining risks. Secondly, it is a brother partnership, accounting for 17.9%. The fraternity partnership is mainly a family business founded by two or three direct or affiliation relatives. It is managed and subdivided into detailed management areas. The profits are generally distributed according to the capital contribution. While some are according to negotiated distribution principle and proportion, which is conducive to management and fund raising, but the brotherhood is easy to cause friction in decision-making and profit distribution, which in turn causes disputes. In addition, enterprises that are launch by two generations accounted for 16.7%. It can be seen from the statistics that most of China's family-owned enterprises are currently in the hands of the first generation. Only a small number of enterprises are in the incumbents' business, accounting for 13.4% and the main way to start a business is Self-employment.

3.3 Summary of this chapter

Based on the analysis of the intergenerational inheritance of family business in Section 3.1 and the improved four-factor theory of Stavrou, the theoretical model is presented in this chapter according to the analysis of the intergenerational inheritance objectives of family business, including the influencing factors of family successor selection and the influencing factors of conflicts in the family business inheritance process. From the perspectives of the incumbent, the potential successor and the inheritance process, the influencing factors are analyzed. The refining process of the problems and hypotheses is introduced from four aspects: individual, family, enterprise and society.

Influencing factors for the choice of family business successors include successors' ability, family business identity, self-realization pursuit of individual factor, family structure, family intimacy, family adaptability of family factor, enterprise development prospects, business operations status, the family's influence on the business of enterprise factor, the employment environment, the market environment, and the inheritance environment of the society factor.

The influencing factors of the family business inheritance process, including the eager to power of individual factor, the family concept of family factor, the enterprise management concept of enterprise factor, and the social ideological concepts of society factor. This thesis analyzes the possible conflicts in the process of family business inheritance, including the ideas of two generations, the number of family business candidates, the relationship between incumbents and successors, the personal charm and professional knowledge of the successors and the personal inclination of incumbents.

In section 3.2, the questionnaire survey process is introduced. The objects of questionnaire survey and the process of questionnaire survey are introduced. The preparation process of the questionnaire and the selection process of the survey object are introduced in detail. According to the data of the first part of the questionnaire, descriptive statistics are made on the basic information of the respondents and the current status of the family companies is surveyed after the data is cleaned. The collected questionnaire information shows that the number of employees with most assets below 1 million yuan is less than 10, and the respondents are mostly concentrated in small and medium-sized manufacturing enterprises. The statistics show that the majority of the incumbents are 46 years old and older, the proportion of males is higher than that of females, most of the education level is high school and below high school, and the average education level is low. Most of the potential successors are between 18 and 35 years old. The ratio of male to female is roughly the same, and most of the education is in junior college and undergraduate, which indicates that the average degree of education level among successors is higher than that among incumbents.

Chapter 4: Data and Empirical Analysis

According to the research model proposed in chapter 3, the four factors involving the inheritance of family business have potential influence on the respondents' willingness. In this sense, after some preprocessing procedures, the analysis of acquired data is carried out to examine how the factors influence the selection of successors and the intention of inheritance through logistic regression analysis. In addition, the difference between the incumbents and successors that leads to conflicts is also discussed through the independent samples t-test, which is analyzed using both factors and items.

It should be pointed out that since the respondents are from the incumbents and potential successors from the family business, the data of such two samples is analyzed respectively to conduct descriptive statistics, analysis of influencing factors and conflict reasons. The willingness distribution reflects the similarities and differences between the two groups.

4.1 Data preprocessing and descriptive statistics

4.1.1 Reliability analysis

In order to explore the impact of four factors on the family business inheritance, the acquired data is analyzed based on 246 valid observations.

The data needs to be adjusted to the same direction before descriptive statistics analysis, which is mainly because the 48 second-order items (questions) are designed in the positive and negative direction. For example, question Ab1 (the child hopes to become the successor of the family business) is a positive description, and Ab2 (the child hopes to prove his/her talents out of the family business) is a negative description. When the respondent is willing to inherit the family business, if he/she tends to agree on Ab1, then he/she tends to disagree on Ab2, leading to negative correlations between the two items.

In this regard, the adjustment processes the data from so-called negative questions by following the rule: $x \leftarrow 8 - x$. The descriptive statistics are acquired using the adjusted data, which means the respondent tends to agree when the average value is close to 7, and on the contrary, the average value closer to 1 means that the respondent shows higher disagreement. In addition, a large standard deviation shows heterogenous opinions among the respondents.

The reliability of the data is first analyzed. For the data of incumbents, Cronbach's α of factor A, B, C and D (Individual, Family, Enterprise and Society) are 0.624, 0.703, 0.625, and 0.784, respectively; For the successors, those values 0.613, 0.775, 0.723, and 0.768 accordingly. Since they are all above 0.6, indicating that the inherent consistency of each factor is acceptable.

4.1.2 The willingness of two sides

In the second part of the questionnaire, it is recorded that most incumbents (N=69) choose Yes as they are willing to let their child be the successor, accounting for 76.7%. On the contrary, only 34.0% potential successors (N=53) are indeed willing to inherit the family business. The contrast is obvious and will be examined in the following section.

Afterwards, seven-point scale is used to reflect the degree of agreement in 48 questions. The answer distribution of the incumbents is shown in appendix #2 and #3, and Table 4-1 presents the descriptive statistics.

Note that the item of each factor with the highest and lowest mean value is highlighted in **bold** and *italic* respectively, and the highest and lowest one in all items are underlined to distinguish and further emphasize.

Table 4-1 Descriptive statistics ^a

Factor	Item	N	Min.	Max.	Mean	Std. Dev.
A: Individual factor	Aa1: Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	90	1	6	<u>3.244</u>	1.432
	Aa2: Parents believe that the working ability is more important than educational background for a successor	90	1	7	4.489	1.384
	Ab1: The child hopes to become the successor of his/her family business one day.	90	1	7	3.922	1.909
	Ab2: The child hopes to prove his/her talents out of the family business.	90	1	7	<i>3.444</i>	1.594
	Ab3: The child is not willing to work under the influence and shadow of his/her patents.	90	1	7	4.122	1.535
	Ab4: The child hopes to work together with his/her parents for more time.	90	1	7	4.867	1.677
	Ab5: The child is very interested at the family business.	90	1	7	4.456	1.581

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

	Ac1: The family business is a platform where the child realizes his/her dreams and ambitions.	90	1	7	4.256	1.666
	Ac2: The child feels honored to contribute to the family business.	90	1	7	5.033	1.457
	Ac3: The child hopes to establish his/her own business in the future.	90	1	7	3.922	1.637
	Ac4: A young man shall open up his/her own business and shall not reap where he/she has not sown.	90	1	7	3.500	1.523
	Ac5: Working at the family business obliterates the personality and independence of the child.	90	1	7	4.011	1.590
	Ba1: Parents expect a male successor even if he is not the eldest son in the family.	90	1	7	<u>3.644</u>	1.850
	Ba2: Parents hope the eldest child will inherit the family business even if the child is the female.	90	1	7	4.011	1.611
	Ba3: The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	90	1	7	4.411	1.593
	Ba4: The parents hope the child can stay and work at the family business, but not necessarily become the successor.	90	1	7	4.167	1.588
	Bb1: The two generations in the family are happy to share their management experience.	90	1	7	4.900	1.594
B: Family factor	Bb2: Family members enjoy spending their spare time with each other.	90	1	7	4.989	1.353
	Bb3: All of the children in the family are equally cared.	90	1	7	<i>4.811</i>	1.397
	Bc1: The family members sincerely cooperate and work as team members.	90	1	7	4.511	1.574
	Bc2: The family members recognize the work results of the other.	90	2	7	5.000	1.558
	Bc3: Each of the family members takes part in major decision-making of the family.	90	1	7	4.822	1.533
	Bc4: The family members discuss and positively face what has happened.	90	1	7	4.989	1.345
	Bc5: The responsibilities and obligations of each family member are arranged in a flexible way.	90	1	6	<i>4.400</i>	1.452
C: Enterprise factors	Ca1: The existing model of the family business is unable to face the change of markets.	90	1	7	<i>3.411</i>	1.460
	Ca2: The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	90	1	7	4.011	1.590

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

	Ca3: All of the employees are full of confidence about the development of the family business.	90	1	7	4.044	1.506
	Cb1: The business model is obsolete and has become an obstacle for further development.	90	1	7	3.722	1.649
	Cb2: The family business has good operating and financial conditions.	90	1	7	4.567	1.729
	Cb3: The family business has clear short-term and long-term planning.	90	1	7	<u>5.211</u>	1.525
	Cb4: The family business has a sustainable performance evaluation and promotion system.	90	2	7	4.722	1.324
	Cc1: The suggestions raised by the employees are often not adopted at the family business.	90	1	6	<u>3.300</u>	1.554
	Cc2: The operation of the business system is often disturbed by kinship.	90	2	7	4.956	1.306
	Cc3: Most of the powers of the business are under the control of parents.	90	1	7	4.778	1.261
	Cc4: Few of the members out of the family take part in decision-making of the family business.	90	2	7	4.944	1.184
	Cc5: The family business is open to different viewpoints in decision-making.	90	2	7	4.967	1.410
	Da1: Rapid economic development brings young generation many opportunities.	90	1	7	4.022	1.614
	Da2: The macro-economic situation reduces employment posts and leads to heavy employment pressure.	90	1	7	4.622	1.403
	Da3: As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	90	1	7	4.589	1.357
	Da4: With many external opportunities, it is not necessary for the children to stay at the family business.	90	1	7	3.878	1.429
D: Society factor	Da5: Working out of the family business is more beneficial to the development of children.	90	1	7	<u>3.344</u>	1.133
	Db1: The business needs insiders to manage, since it is hard to find a loyal professional manager.	90	2	7	4.433	1.307
	Db2: The major scope of business is limited in a sunseting industry.	90	1	6	3.489	1.265
	Db3: There is a lack of laws punishing disloyal professional managers.	90	1	7	<u>4.767</u>	1.529
	Db4: The children are required to share weal and woes together with the elder generation in the unstable	90	1	7	4.356	1.744

situation.					
Dc1: It is common for the children's friends to enter the family business after graduation.	90	1	7	4.089	1.548
Dc2: The business executives hold positive attitudes when the management is taken over by the children.	90	1	7	4.456	1.812
Dc3: The employees of the business accept the continuing management and leadership of the child.	90	2	7	4.678	1.527

Valid N (listwise):90

a. Group = Incumbents

The preliminary conclusions are as follows:

(1) It can be seen from the average of the individual factor (Ab1-Ac5) that the incumbent prefers their children to inherit the family business. The lowest mean value of the factor can be found in item Aa1 (3.244), which is quite lower than Aa2 (4.489), indicating that the working ability is much more important to the incumbents than the academic qualification.

(2) Except item Ba1, the mean values of the family factor (Bb1-Bc5) are higher than 4, indicating that incumbents believe the family relationship is friendly and harmonious. Especially in item Bc2 (5.000), this item with highest mean value means the both sides can understand and respect each other. However, item Ba1 shows the lowest agreement (3.644), indicating that gender is still an important criterion for incumbents' decision.

(3) It can be seen from the distribution of the enterprise factor (Ca1-Cc5), particularly in item Cb3 (5.211), that the incumbent is satisfied with the current development of the company and holds a positive future prospect. On the contrary, items with low agreement, like Cb1 (3.722) and Cc1 (3.300) signify that there still exist some problems.

(4) Generally, the value of Da1- Da5 from society factor leads to a grim picture of macroeconomic situation. In this sense, inheriting the family business is considered as a good opportunity for their children. The highest agreement appears in item Db3 (4.767), indicating that the incumbent believes their own children are the best successors, due to the lack of professional manager market in China. The mean values of Dc1-Dc4 are all higher than 4, meaning that executives and employees will support the successor.

Corresponding to the answer of the incumbents, the answer distribution of the successors is also shown in appendix #2 and #4, and Table 4-2 presents the descriptive statistics.

Table 4-2 Descriptive statistics ^b

Factor	Item	N	Min.	Max.	Mean	Std. Dev.	
A: Individual factor	Aa1: Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	156	1	7	<u>3.962</u>	1.502	
	Aa2: Parents believe that the working ability is more important than educational background for a successor	156	1	7	3.564	1.512	
	Ab1: The child hopes to become the successor of his/her family business one day.	156	1	7	<u>3.282</u>	1.376	
	Ab2: The child hopes to prove his/her talents out of the family business.	156	1	7	3.385	1.393	
	Ab3: The child is not willing to work under the influence and shadow of his/her patents.	156	1	7	3.397	1.676	
	Ab4: The child hopes to work together with his/her parents for more time.	156	1	7	3.808	1.554	
	Ab5: The child is very interested at the family business.	156	1	7	3.897	1.623	
	Ac1: The family business is a platform where the child realizes his/her dreams and ambitions.	156	1	7	3.353	1.523	
	Ac2: The child feels honored to contribute to the family business.	156	1	7	3.801	1.624	
	Ac3: The child hopes to establish his/her own business in the future.	156	1	7	3.942	1.705	
	Ac4: A young man shall open up his/her own business and shall not reap where he/she has not sown.	156	1	7	3.609	1.462	
	Ac5: Working at the family business obliterates the personality and independence of the child.	156	1	7	3.955	1.534	
	B: Family factor	Ba1: Parents expect a male successor even if he is not the eldest son in the family.	156	1	7	<u>3.173</u>	1.406
		Ba2: Parents hope the eldest child will inherit the family business even if the child is the female.	156	1	7	3.904	1.381
		Ba3: The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	156	1	7	4.013	1.532
Ba4: The parents hope the child can stay and work at the family business, but not necessarily become the successor.		156	1	7	4.218	1.495	
Bb1: The two generations in the family are happy to share their management experience.		156	1	7	3.449	1.575	
Bb2: Family members enjoy		156	1	7	4.090	1.794	

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

	spending their spare time with each other.					
	Bb3: All of the children in the family are equally cared.	156	1	7	3.737	1.666
	Bc1: The family members sincerely cooperate and work as team members.	156	1	7	3.891	1.576
	Bc2: The family members recognize the work results of the other.	156	1	6	4.051	1.264
	Bc3: Each of the family members takes part in major decision-making of the family.	156	1	7	3.833	1.598
	Bc4: The family members discuss and positively face what has happened.	156	1	7	4.519	1.461
	Bc5: The responsibilities and obligations of each family member are arranged in a flexible way.	156	1	7	4.500	1.640
	Ca1: The existing model of the family business is unable to face the change of markets.	156	1	7	<u>3.756</u>	1.456
	Ca2: The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	156	1	7	4.673	1.720
	Ca3: All of the employees are full of confidence about the development of the family business.	156	1	7	4.032	1.624
	Cb1: The business model is obsolete and has become an obstacle for further development.	156	1	7	4.212	1.634
	Cb2: The family business has good operating and financial conditions.	156	1	7	4.186	1.480
C:	Cb3: The family business has clear short-term and long-term planning.	156	1	7	3.859	1.747
Enterprise	Cb4: The family business has a sustainable performance evaluation and promotion system.	156	1	7	3.955	1.667
factors	Cc1: The suggestions raised by the employees are often not adopted at the family business.	156	2	7	4.378	1.379
	Cc2: The operation of the business system is often disturbed by kinship.	156	1	7	3.795	1.565
	Cc3: Most of the powers of the business are under the control of parents.	156	1	7	3.936	1.569
	Cc4: Few of the members out of the family take part in decision-making of the family business.	156	1	7	3.865	1.635
	Cc5: The family business is open to different viewpoints in decision-making.	156	1	7	4.218	1.898
D:	Da1: Rapid economic development brings young generation many opportunities.	156	1	7	4.199	1.868
Society	Da2: The macro-economic situation	156	1	7	4.032	1.412
factor						

reduces employment posts and leads to heavy employment pressure.					
Da3: As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	156	1	6	3.712	1.622
Da4: With many external opportunities, it is not necessary for the children to stay at the family business.	156	1	7	3.936	1.531
Da5: Working out of the family business is more beneficial to the development of children.	156	1	6	3.788	1.549
Db1: The business needs insiders to manage, since it is hard to find a loyal professional manager.	156	1	7	3.814	1.589
Db2: The major scope of business is limited in a sunset industry.	156	1	7	3.827	1.975
Db3: There is a lack of laws punishing disloyal professional managers.	156	1	7	4.256	1.792
Db4: The children are required to share weal and woes together with the elder generation in the unstable situation.	156	1	7	3.660	1.580
Dc1: It is common for the children's friends to enter the family business after graduation.	156	1	7	3.718	1.463
Dc2: The business executives hold positive attitudes when the management is taken over by the children.	156	1	7	4.026	1.828
Dc3: The employees of the business accept the continuing management and leadership of the child.	156	1	7	<u>3.622</u>	1.434

Valid N (listwise):156

b. Group = Successors

The following preliminary conclusions are drawn:

(1) The mean values of the individual factor (Aa1-Ac5) are all lower than 4, particularly in item Ab2 with the lowest mean value (3.282), indicating that the next generation of family business is not willing to inherit in general. Instead, most of them hope to get rid of the control of their parents. However, the mean value of Aa1 (3.962) is higher than that of Aa2 (3.564), indicating that the children of the family business believes that the incumbent is more inclined to highly educated successors.

(2) From the answer distribution of the family factor (Bb1-Bc5), the children believe that daily communication is not smooth enough. Besides, though the incumbents tend to choose their children as the successor (see item Ba4 with the highest mean - 4.218), the lowest value

in Ba1 (3.173) significates a gender-bias of their parents from children's prospective.

(3) It can be seen from the distribution of the enterprise factor (Ca1-Cc5) that the next generation of family businesses believes that the current management level of enterprises is relatively backward, and the family has overcontrolled the family business. In this sense, from the highest mean value Ca2 (4.673), the successor starts to realize his/her responsibility.

(4) The overall view of the enterprise factor (Da1-Dc3) is not good. The highest mean value can be found in Db3 (4.256), indicating that the successors do not recognize the punishment system to disloyal professional managers. The worse thing is, the successors are pessimistic to the employee's recognition when they take over the business one day, from the lowest mean value namely Dc3 (3.622).

4.1.3 Difference analysis

From the perspective of inheritance willingness, the incumbents of the family business are more inclined to let their children take over the family business, but the potential successors do not, indicating that there is a gap in the willingness of the two sample groups.

Specifically, among those four factors, individual factor reflects that potential successors value academic qualifications, while incumbents pay more attention to work ability;

Family factor reflect that potential successors are less satisfied with current family relationships than incumbents, especially for incumbents who want the eldest son to inherit;

Enterprise factor reflects that the incumbent is more optimistic about the development prospects of the family business than the potential successor, where the latter argues that the backward management level limits the future development;

Social factor reflects that the incumbents worries about the increasing employment pressures, and thus they hope potential successor to inherit the family business, while the view of potential successors varies.

4.2 Analysis of factors influencing the selection of family business successors

4.2.1 Relevant factors influencing the willingness of incumbents

In this section, to explore the impact of factors on family business inheritance, the following analysis is conducted based on the data from 246 questionnaires. With uncompleted and invalid questionnaires excluded beforehand, they are valid data without abnormal values or missing values.

As incumbents of the family business, their willingness to choose their children as successors is potentially influenced by several factors. In this regard, binary logistic regression analysis is carried out on the data of incumbents (90 out of 246) to identify the key factors affecting the willingness of incumbents.

The following research hypotheses are proposed:

H1: (A) The willingness of incumbents to choose their children as successors is affected by individual factors from (Aa) individual abilities of the successors, (Ab) the identity of the family business, (Ac) the pursuit of self-realization aspects;

H2: (B) The willingness of incumbents to choose their children as successors is affected by family factors from (Ba) family structure, (Bb) family intimacy, (Bc) family adaptability aspects;

H3: (C) The willingness of incumbents to choose their children as successors is affected by enterprise factors from (Ca) prospects of the family businesses, (Cb) the state of family business operations, (Cc) the family's influence on the business aspects;

H4: (D) The willingness of incumbents to choose their children as successors is affected by society factors from (Da) the employment environment, (Db) market environment, (Dc) inheritance environment aspects.

Set dependent variable (Y): "the willingness of incumbents to choose their children as the successors" is encoded at 0 or 1. Zero represents 'no', and one represents 'yes'.

Set independent variable (X): A, B, C, D correspond to four factors: individual, family, enterprise and society, and the values of A, B, C, D are obtained by averaging the 12 items in each factor.

Such variables are shown in Figure 4-1.

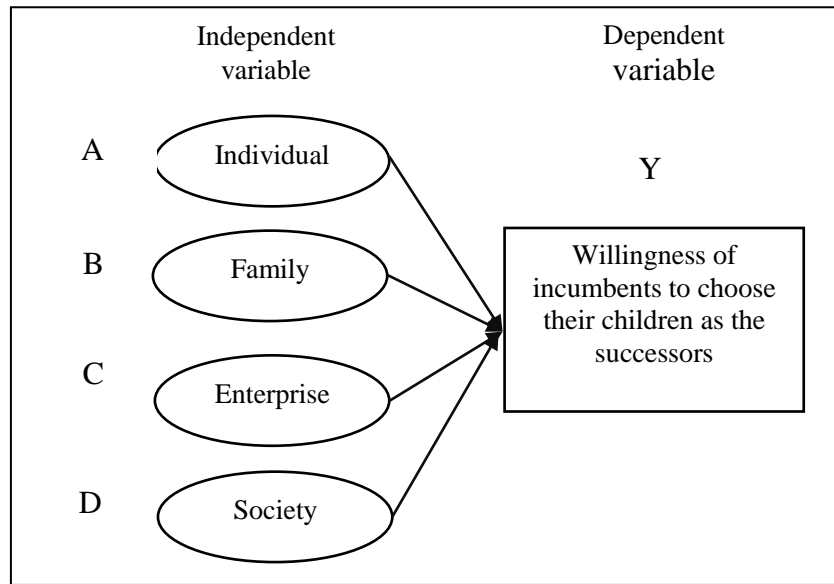


Figure 4-1 The structure of dependent and independent variables

Method: logistic regression analysis is conducted to obtain the relationship between independent variables A, B, C, D and dependent variables Y, and verify the research hypothesis. The process is as follows:

In the binary logistic regression analysis, unwillingness of incumbents to choose their children as the successors is encoded at 0, while willingness is encoded at 1.

After the model fitted, there is only constant in block 0, that is to say there is no independent variable, so all of the objects of observation are predicted to be willing, with total prediction accuracy at 76.7%.

Next, adding variables that outside the existing model to improve the fitness and the prediction accuracy in block 1. All independent variables are filtered into the model by using the ENTER method. Table 4-3 and 4-4 provide the results of the global test and the likelihood ratio test of the model.

Table 4-3 Omnibus test of model coefficients

		χ^2	df	Sig.
Step 1	Step	35.027	4	.000
	Block	35.027	4	.000
	Model	35.027	4	.000

Table 4-4 Model summary

Step 1	-2 log likelihood	Cox & Snell R Square	Nagelkerke R Square
	62.762 ^a	0.322	0.487

a. Because the change scope of parameter estimation is less than .001, the number of iterations is 5.

Table 4-5 Hosmer and Lemeshow test

Step	Chi-square	df	Sig.
1	9.204	8	0.325

According to the test results of the model in Table 4-5, both Cox & Snell R square and Nagelkerke R squares are between 0.3 and 0.5, indicating that the model is basically acceptable. The result of Hosmer and Lemeshow test is displayed in Table 4-8, whose sig. value is 0.325, higher than 0.05, meaning the fitness is acceptable.

It is recorded that the prediction accuracy increased from 76.7% to 82.2% in Block0, indicating that the introduction of variables A~D improves the prediction effect of the model.

As shown in Table 4-6, the result of the Wald test of variable A (individual factors) is 4.112, with P valued $0.043 < 0.05$; the result of the Wald test of B (family factors) is 14.900, with P valued 0.000; the result of the Wald test of variable C (enterprise factors) is 4.447, with P valued $0.035 < 0.05$; the result of the Wald test of D (society factors) is 6.708, with P valued $0.01 < 0.05$, so all of the four factors have statistical significance for whether incumbents will choose their children as the successors or not.

Table 4-6 Variables in the equation

	B	S.E.	Wald	Df	Sig.	Exp (B)	EXP(B) of 95% C.I.	
							Lower limit	Upper limit
A-Individual	1.736	0.856	4.112	1	0.043	5.675	1.060	30.391
B-Family	2.942	0.762	14.900	1	0.000	18.946	4.255	84.366
Step 1 ^a C-Enterprise	1.643	0.779	4.447	1	0.035	5.170	1.123	23.800
D-Society	2.377	0.918	6.708	1	0.010	10.778	1.783	65.146
Constant	-35.777	9.635	13.788	1	0.000	0.000		

a. Variables input in Step 1: A, B, C, D

From the data analysis results, hypotheses H1~H4 are all true. The highest value of B belongs to the family factor (2.942), while the lowest one can be found in enterprise factor

(1.643). Exp (B) value of factor A is 5.675, indicating that when the influence of personal factors increases by one unit, the probability of incumbents choosing their own children as successors will increase by 4.675 times. The Exp (B) values of these four factors are all greater than 1.000, indicating that the one-unit increase of each factor will add the probability of incumbents choosing their own children as successors. After standardization, the influence degree of each factor is 0.70, 0.90, 0.68 and 0.83 respectively. In terms of correlation, the influence of social factors is significant at the level of 1%, while the influence of individual factors and enterprise factors is significant at the level of 5%. According to the four-factor model, individual, family, enterprise and society factors are all related to the willingness of incumbents to choose their children as successors, and the data analysis supports this view.

4.2.2 Relevant factors influencing the willingness of successors

Concerning the willingness of successors to inherit the family business, the following research hypotheses are proposed:

H5: (A) The willingness of successors to inherit is affected by individual factors from (Aa) individual ability of the successors, (Ab) the identity of the family business, (Ac) the pursuit of self-realization aspects;

H6: (B) The willingness of successors to inherit is affected by family factors from (Ba) family structure, (Bb) family intimacy, (Bc) family adaptability aspects;

H7: (C) The willingness of successors to inherit is affected by enterprise factors from (Ca) prospects of the family businesses, (Cb) the state of family business operations, (Cc) the family's influence on the business aspects;

H8: (D) The willingness of successors to inherit is affected by society factors from (Da) employment environment, (Db) market environment, (Dc) inheritance environment aspects.

Set dependent variable (Y): "Willingness of successors to inherit the family business" is designated at 0 or 1. Zero represents 'no', and one represents 'yes'.

Set independent variable (X): X1, X2, X3 and X4 correspond to four factors: individual, family, enterprise and society, and the values of X1, X2, X3 and X4 are obtained by averaging the 12 items of each factor.

These variables are shown in Figure 4-2.

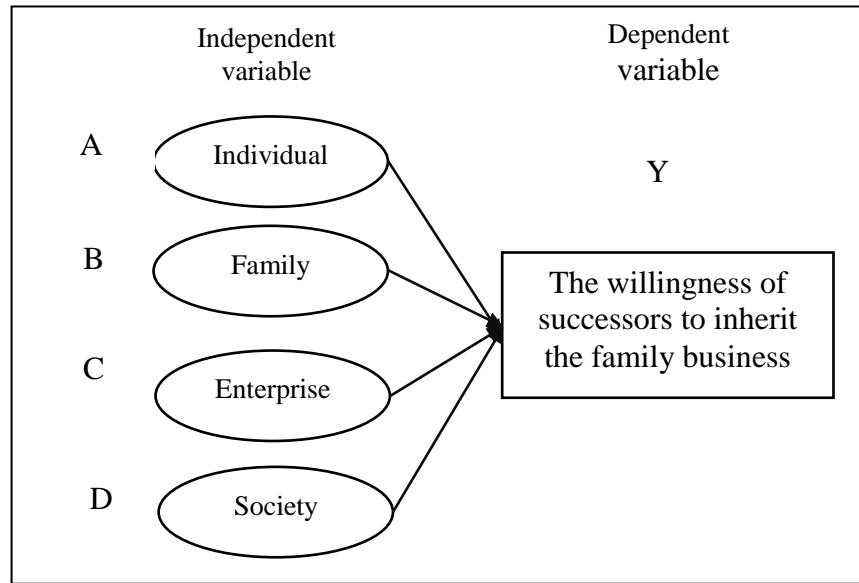


Figure 4-2 The structure of dependent and independent variables

Method: logistic regression analysis is conducted to obtain the relationship between independent variables A, B, C, D and dependent variable Y, verifying the hypothesis. Unwillingness is encoded at 0, while willingness is encoded at 1. After the model is fitted, there is only constant in block 0, that is to say there is no independent variables, so all of the observations are predicted to be unwillingness, with total prediction accuracy at 66.0%.

To improve the fitness and prediction accuracy, variables outside the existing model are going to be added in block 1. The Enter method is used to screen the independent variables and force all independent variables A, B, C and D to enter the model. Table 4-7 and Table 4-8 provide the results of the global test and likelihood ratio test of the model, which are consistent with the expected results that variables A, B, C and D have statistical significance.

Table 4-7 Omnibus test of model coefficients

		χ^2	df	Sig.
Step 1	Step	81.120	4	.000
	Block	81.120	4	.000
	Model	81.120	4	.000

Table 4-8 Model summary

Step	-2 log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	118.930 ^a	.405	.561

a. Because the change scope of parameter estimation is less than .001, the number of iterations is 6.

Table 4-9 Hosmer and Lemeshow test

Step	Chi-square	df	Sig.
1	3.401	8	0.907

According to the test results of the model in Table 4-8, both Cox & Snell R square and Nagelkerke R square are between 0.4 and 0.56, indicating that the model is basically acceptable. The result of Hosmer and Lemeshow test, displayed in Table 4-9 and whose sig. value is 0.907, higher than 0.05, confirming the fitness of proposed model.

It can be observed that the prediction accuracy increased from 66.0% to 78.8% in Block0, indicating that the introduction of variables A, B, C, D improves the prediction effect of the model.

As shown in Table 4-10, the result of the Wald test of variable A (individual factors) is 24.137, with P valued $0.000 < 0.05$; the result of the Wald test of B (family factors) is 23.825, with P valued $0.000 < 0.05$; the result of the Wald test of variable D (society factors) is 16.606, with P valued $0.000 < 0.05$.

Therefore, the individual, family and society factors have statistical significance for whether the next generations will inherit the family business or not. The result of the Wald test of C (enterprise factors) is 1.644, with P valued $0.200 > 0.05$, which indicates that the enterprise factors have no statistical significance for whether the next generations are willing to become the successors or not.

Table 4-10 Variables in the equation

	B	S.E.	Wald	Df	Sig.	Exp (B)	EXP(B) of 95% C.I.	
							Lower limit	Upper limit
A-Individual	4.096	.833	24.157	1	0.000	60.102	11.736	307.795
B-Family	2.083	.427	23.848	1	0.000	8.030	3.480	18.527
Step 1 ^a C-Enterprise	-0.600	.471	1.623	1	0.203	0.549	0.218	1.382
D-Society	2.721	.667	16.666	1	0.000	15.197	4.115	56.121
Constant	-32.576	6.782	23.075	1	0.000	0.000		

a. Variables input in Step 1: A, B, C, D

According to the data analysis, hypotheses H5, H6 and H8 are true and H7 is false. Different from the four-factor model and incumbent group, individual, family and social

factors are related to the willingness of children to inherit the family business, while the enterprise factor is excluded. Concerning the value of B, personal factor (4.096) is the highest, whose exponential value is equal to 60.102, indicating that when the influence of personal factors increases by 1, the probability for children to inherit the family business will extend 60.102 times. The Exp (B) values of individual, family and social factors are greater than 1.000, indicating that the one-unit increase of each factor will increase the probability of children's willingness to inherit; However, the Exp (B) value of enterprise factor is less than 1, indicating that a one-unit increase of it will reduce such probability. The standardized effects of individual, family and social factors are 0.97, 0.78 and 0.87 respectively. In terms of correlation, individual, family and social factors have significant influence at the level of 1%, compared to no significant influence for enterprise factors.

4.2.3 Difference analysis

Comparing the influencing factors of the two sample groups (incumbents and potential successors) analyzed in Section 4.2.1 and 4.2.2, the following conclusions can be drawn:

For the incumbent, the family factor is the most significant among the four factors. Although the enterprise factor also has an impact, the degree of significance is lower than other factors; for potential successors, only three factors affect the willingness to inherit, of which the individual factor is the most significant, the family factor is slightly lower, and the enterprise factor is not statistically significant.

Generally, the impact of enterprise factor on the inheritance of family business is generally weak. Incumbents usually consider issues from the family, reflecting that "family" is an inseparable element throughout their long-term life and entrepreneurship; in contrast, potential successors prefer individual factor, indicating they emphasize more on "individual" and "personality", than the family business to proceed their careers.

In addition, the impact of social factors should not be ignored. When the economic situation is poor, the market environment and employment environment also deteriorate. In this setting, the incumbents obviously want their children to avoid the unknown and hardships outside the family business; Although some of the successors still focus on personal development, there will be a part that no longer uses external employment as a first choice, instead it is a relatively stable and predictable choice to work at their family business.

4.3 Analyzing the factors influencing the conflict in the inheritance process

4.3.1 Analyzing core factors causing conflicts

This section mainly analyzes the differences and conflicts between the incumbents and the successors of the family business in inheritance willingness. It is necessary to point out that, for the respondents, the successor selection and inheritance plan of the family business can be a sensitive issue (especially at the stage related to power transition). Considering these aspects, the questionnaire does not involve the names of the family businesses, the names of the respondents and other private information. In addition, in order to expand the coverage, the questionnaires are mainly distributed through the network anonymously, and whether incumbents and successors belong to the same family business or not cannot be identified by the questionnaire.

Propose the research hypotheses (H):

H9: Conflicts in family business succession are caused by individual factors (A);

H10: Conflicts in family business succession are caused by family factors (B);

H11: Conflicts in family business succession are caused by enterprise factors (C);

H12: Conflicts in family business succession are caused by society factors (D).

Method: The Independent-sample t-test is used to analyze the mean differences between the two groups - incumbents and successors.

Test variables: of the four factors - A (Individual), B (Family), C (Enterprise) and D (Society), are used to test the hypothesis of equality of two population means.

According to the data, most potential successors disagree to inherit the family businesses, whose proportion is much higher than the proportion of the incumbents who hope their children could inherit the family business, which means that there is a distinct difference between the two groups, while the succession has a crucial impact on the development of family business.

The difference in willingness between incumbents and successors can lead to the conflicts in the inheritance process. This section analyzes the main contents of what concept differences exist between incumbents and successors and the possible consequences of such differences. Therefore, targeted solutions can be proposed.

Factor A (Individual factor), B (Family factor), C (Enterprise factor) and D (Society factor) are taken as the test variables, and the respondent groups (successors, incumbents) are

chosen as the group variable.

The significance level is set at 5% to conduct the independent-sample t-test, as well as Levene test for equality of variances, as shown in Table 4-11:

Table 4-11 Independent-sample t-test (four factor level)

		Levene test for equality of variances		t-test for equality of means					
		<i>F</i>	Significance	<i>t</i>	Free degree	Significance (Two-tailed)	Mean difference	Std. dev. difference	95% Confidence Interval Lower limit Upper limit
A	Equal variances assumed	0.174	0.677	-7.394	244	0.000	-0.4426	0.0599	-0.5606 -0.3247
	Equal variances not assumed			-7.388	185.330	0.000	-0.4426	0.0599	-0.5608 -0.3244
B	Equal variances assumed	4.356	0.038	-6.499	244	0.000	-0.6064	0.0933	-0.7902 -0.4226
	Equal variances not assumed			-6.784	210.526	0.000	-0.6064	0.0894	-0.7826 -0.4302
C	Equal variances assumed	24.210	0.000	-4.155	244	0.000	-0.3140	0.0756	-0.4628 -0.1651
	Equal variances not assumed			-4.639	240.647	0.000	-0.3140	0.0677	-0.4473 -0.1807
D	Equal variances assumed	0.060	0.807	-5.772	244	0.000	-0.3439	0.0596	-0.4612 -0.2265
	Equal variances not assumed			-5.674	176.244	0.000	-0.3439	0.0606	-0.4635 -0.2242

According to the result of Levene test for equality of variances, the variances in factors B (family) and C (enterprise) show heterogeneity ($p < 0.05$), but factors A (individual) and D (society) show homogenous variances ($p > 0.05$).

Thus, the variances are assumed to be equal in factors A and D, while not equal in factors B and C. However, for the equality of means tests all the two-tailed sig-values in factors A to D equal 0.000, meaning that research hypotheses H9-H12 are all not rejected, indicating significant differences between the two groups for all four factors.

4.3.2 Analyzing the conflicts in item level

According to the analysis conclusion in section 4.3.1, the incumbents and successors of a family business seem to have totally different views on all the first-level factors. In this sense,

to examine the difference more precisely, each item is going to be tested separately again.

First, factor A (individual prospective) is tested, and the result is listed in Table 4-12:

Table 4-12 Independent-sample t-test (items in factor A - individual)

		Levene variance equivalence test		Average-value equivalence t-test			
		<i>F</i>	sig.	<i>t</i>	degree of freedom	sig. (two-tailed)	mean difference
Aa1	Equal variances assumed	2.577	0.110	3.668	244	0.000	0.717
	Equal variances not assumed			3.715	193.122	0.000	0.717
Aa2	Equal variances assumed	1.245	0.266	-4.764	244	0.000	-0.925
	Equal variances not assumed			-4.878	199.457	0.000	-0.925
Ab1	Equal variances assumed	19.721	0.000	-3.039	244	0.003	-0.640
	Equal variances not assumed			-2.790	142.976	0.006	-0.640
Ab2	Equal variances assumed	2.586	0.109	-0.308	244	0.759	-0.060
	Equal variances not assumed			-0.297	166.189	0.767	-0.060
Ab3	Equal variances assumed	1.949	0.164	-3.368	244	0.001	-0.725
	Equal variances not assumed			-3.448	199.385	0.001	-0.725
Ab4	Equal variances assumed	0.646	0.422	-5.000	244	0.000	-1.059
	Equal variances not assumed			-4.898	174.396	0.000	-1.059
Ab5	Equal variances assumed	0.413	0.521	-2.623	244	0.009	-0.558
	Equal variances not assumed			-2.641	189.890	0.009	-0.558
Ac1	Equal variances assumed	1.699	0.194	-4.326	244	0.000	-0.903
	Equal variances not assumed			-4.223	172.474	0.000	-0.903
Ac2	Equal variances assumed	2.530	0.113	-5.947	244	0.000	-1.232
	Equal variances not assumed			-6.123	202.577	0.000	-1.232
Ac3	Equal variances assumed	0.815	0.368	0.090	244	0.928	0.020
	Equal variances not assumed			0.091	192.061	0.927	0.020
Ac4	Equal variances assumed	0.694	0.406	0.555	244	0.580	0.109
	Equal variances not assumed			0.548	179.576	0.584	0.109
Ac5	Equal variances assumed	0.268	0.605	-0.272	244	0.786	-0.056

Equal variances not assumed	-0.269	180.376	0.788	-0.056
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It can be found that following items in individual prospective show statistical significance at 1% level: Aa1, Aa2, Ab1, Ab3, Ab4, Ab5, Ac1, Ac2. Other factors are considered not significant at 5% level: Ab2, Ac3, Ac4, Ac5.

Similarly, the independent-sample t-test results of factor B, C, and D are listed from Table 4-13 to 4-15, respectively:

Table 4-13 Independent-sample t-test (items in factor B - family)

		Levene variance equivalence test		Average-value equivalence t-test			
		<i>F</i>	sig.	<i>t</i>	degree of freedom	sig. (two-tailed)	mean difference
Ba1	Equal variances assumed	15.377	0.000	-2.250	244	0.025	-0.471
	Equal variances not assumed			-2.093	148.697	0.038	-0.471
Ba2	Equal variances assumed	3.017	0.084	-0.552	244	0.582	-0.107
	Equal variances not assumed			-0.529	163.564	0.597	-0.107
Ba3	Equal variances assumed	2.161	0.143	-1.935	244	0.054	-0.398
	Equal variances not assumed			-1.915	179.965	0.057	-0.398
Ba4	Equal variances assumed	0.788	0.376	0.253	244	0.800	0.051
	Equal variances not assumed			0.249	176.764	0.804	0.051
Bb1	Equal variances assumed	0.119	0.731	-6.930	244	0.000	-1.451
	Equal variances not assumed			-6.908	184.010	0.000	-1.451
Bb2	Equal variances assumed	15.864	0.000	-4.125	244	0.000	-0.899
	Equal variances not assumed			-4.442	226.970	0.000	-0.899
Bb3	Equal variances assumed	3.612	0.059	-5.157	244	0.000	-1.074
	Equal variances not assumed			-5.404	212.694	0.000	-1.074
Bc1	Equal variances assumed	0.158	0.692	-2.973	244	0.003	-0.620

	Equal variances not assumed			-2.975	186.033	0.003	-0.620
Bc2	Equal variances assumed	6.632	0.011	-5.200	244	0.000	-0.949
	Equal variances not assumed			-4.918	156.467	0.000	-0.949
Bc3	Equal variances assumed	1.774	0.184	-4.745	244	0.000	-0.989
	Equal variances not assumed			-4.798	192.166	0.000	-0.989
Bc4	Equal variances assumed	4.139	0.043	-2.499	244	0.013	-0.470
	Equal variances not assumed			-2.555	198.604	0.011	-0.470
Bc5	Equal variances assumed	2.475	0.117	0.480	244	0.632	0.100
	Equal variances not assumed			0.496	204.621	0.621	0.100

As shown in Table 4-13, following items in family prospective show statistical significance at 1% level: Bb1, Bb2, Bb3, Bc1, Bc2, Bc3, and Ba1, Bc4 at 5% level. Other factors are considered not significant at 5% level: Ba2, Ba3, Ba4, Bc5.

Table 4-14 Independent-sample t-test (items in factor C - enterprise)

		Levene variance equivalence test		Average-value equivalence t-test			
		<i>F</i>	sig.	<i>t</i>	degree of freedom	sig. (two-tailed)	mean difference
Ca1	Equal variances assumed	0.029	0.866	1.789	244	0.075	0.345
	Equal variances not assumed			1.788	185.391	0.075	0.345
Ca2	Equal variances assumed	0.164	0.686	2.988	244	0.003	0.662
	Equal variances not assumed			3.052	197.901	0.003	0.662
Ca3	Equal variances assumed	1.451	0.229	-0.059	244	0.953	-0.012
	Equal variances not assumed			-0.060	197.468	0.952	-0.012
Cb1	Equal variances assumed	0.052	0.819	2.254	244	0.025	0.489
	Equal variances not assumed			2.249	184.431	0.026	0.489

Cb2	Equal variances assumed	3.806	0.052	-1.826	244	0.069	-0.381
	Equal variances not assumed			-1.751	163.393	0.082	-0.381
Cb3	Equal variances assumed	1.954	0.163	-6.119	244	0.000	-1.352
	Equal variances not assumed			-6.346	206.709	0.000	-1.352
Cb4	Equal variances assumed	5.679	0.018	-3.737	244	0.000	-0.767
	Equal variances not assumed			-3.972	220.364	0.000	-0.767
Cc1	Equal variances assumed	3.660	0.057	5.636	244	0.000	1.078
	Equal variances not assumed			5.459	168.283	0.000	1.078
Cc2	Equal variances assumed	1.992	0.159	-5.943	244	0.000	-1.161
	Equal variances not assumed			-6.236	213.387	0.000	-1.161
Cc3	Equal variances assumed	4.212	0.041	-4.345	244	0.000	-0.842
	Equal variances not assumed			-4.604	218.717	0.000	-0.842
Cc4	Equal variances assumed	22.442	0.000	-5.485	244	0.000	-1.079
	Equal variances not assumed			-5.967	231.591	0.000	-1.079
Cc5	Equal variances assumed	24.252	0.000	-3.258	244	0.001	-0.749
	Equal variances not assumed			-3.522	228.816	0.001	-0.749

Similarly, from Table 4-14, following items in enterprise prospective show statistical significance at 1% level: Ca2, Cb3, Cb4, Cc1, Cc2, Cc3, Cc4, Cc5, and Cb1 at 5% level. Other factors are considered not significant at 5% level: Ca1, Ca3, Cb2.

Table 4-15 Independent-sample t-test (items in factor D - society)

		Levene variance equivalence test		Average-value equivalence t-test			
		<i>F</i>	sig.	<i>t</i>	degree of freedom	sig. (two-tailed)	mean difference
Da1	Equal variances assumed	7.277	0.007	0.749	244	0.454	0.176

	Equal variances not assumed			0.779	208.246	0.437	0.176
Da2	Equal variances assumed	0.014	0.906	-3.166	244	0.002	-0.590
	Equal variances not assumed			-3.171	186.750	0.002	-0.590
Da3	Equal variances assumed	7.289	0.007	-4.330	244	0.000	-0.877
	Equal variances not assumed			-4.541	213.151	0.000	-0.877
Da4	Equal variances assumed	1.942	0.165	0.294	244	0.769	0.058
	Equal variances not assumed			0.299	196.487	0.765	0.058
Da5	Equal variances assumed	13.615	0.000	2.376	244	0.018	0.444
	Equal variances not assumed			2.578	230.502	0.011	0.444
Db1	Equal variances assumed	2.658	0.104	-3.134	244	0.002	-0.619
	Equal variances not assumed			-3.301	215.533	0.001	-0.619
Db2	Equal variances assumed	30.058	0.000	1.460	244	0.146	0.338
	Equal variances not assumed			1.634	241.286	0.104	0.338
Db3	Equal variances assumed	4.527	0.034	-2.266	244	0.024	-0.510
	Equal variances not assumed			-2.365	210.154	0.019	-0.510
Db4	Equal variances assumed	2.677	0.103	-3.200	244	0.002	-0.695
	Equal variances not assumed			-3.116	171.230	0.002	-0.695
Dc1	Equal variances assumed	1.080	0.300	-1.875	244	0.062	-0.371
	Equal variances not assumed			-1.847	177.278	0.066	-0.371
Dc2	Equal variances assumed	0.712	0.400	-1.782	244	0.076	-0.430
	Equal variances not assumed			-1.786	187.115	0.076	-0.430
Dc3	Equal variances assumed	0.282	0.596	-5.391	242	0.000	-1.054
	Equal variances not assumed			-5.310	177.799	0.000	-1.054

Table 4-15 shows that following items in society prospective are statistically significant at 1% level: Da2, Da3, Db1, Db4, Dc3, and Da5, Db3 at 5% level. Other factors are considered not significant at 5% level: Da1, Da4, Db2, Dc1, Dc2.

Summing up the results, factors significant at 1% level, 5% level and not significant at 5% level are presented in Table 4-16.

Table 4-16 The results of Levene test and t-test

Items	Levene test sig. value	The conclusion of Levene test	t-test sig. value	The conclusion of t-test
Aa1	0.110	assumed equal	0.000	sig. at 1% level
Aa2	0.266	assumed equal	0.000	sig. at 1% level
Ab1	0.000	assumed not equal	0.006	sig. at 1% level
Ab2	0.109	assumed equal	0.759	not sig.
Ab3	0.164	assumed equal	0.001	sig. at 1% level
Ab4	0.422	assumed equal	0.000	sig. at 1% level
Ab5	0.521	assumed equal	0.009	sig. at 1% level
Ac1	0.194	assumed equal	0.000	sig. at 1% level
Ac2	0.113	assumed equal	0.000	sig. at 1% level
Ac3	0.368	assumed equal	0.928	not sig.
Ac4	0.406	assumed equal	0.580	not sig.
Ac5	0.605	assumed equal	0.786	not sig.
Ba1	0.000	assumed not equal	0.038	sig. at 5% level
Ba2	0.084	assumed equal	0.582	not sig.
Ba3	0.143	assumed equal	0.054	not sig.
Ba4	0.376	assumed equal	0.800	not sig.
Bb1	0.731	assumed equal	0.000	sig. at 1% level
Bb2	0.000	assumed not equal	0.000	sig. at 1% level
Bb3	0.059	assumed equal	0.000	sig. at 1% level
Bc1	0.692	assumed equal	0.003	sig. at 1% level
Bc2	0.011	assumed not equal	0.000	sig. at 1% level
Bc3	0.184	assumed equal	0.000	sig. at 1% level
Bc4	0.043	assumed not equal	0.011	sig. at 5% level
Bc5	0.117	assumed equal	0.632	not sig.
Ca1	0.866	assumed equal	0.075	not sig.
Ca2	0.686	assumed equal	0.003	sig. at 1% level
Ca3	0.229	assumed equal	0.953	not sig.
Cb1	0.819	assumed equal	0.025	sig. at 5% level
Cb2	0.052	assumed equal	0.069	not sig.
Cb3	0.163	assumed equal	0.000	sig. at 1% level
Cb4	0.018	assumed not equal	0.000	sig. at 1% level
Cc1	0.057	assumed equal	0.000	sig. at 1% level
Cc2	0.159	assumed equal	0.000	sig. at 1% level
Cc3	0.041	assumed not equal	0.000	sig. at 1% level

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

Cc4	0.000	assumed not equal	0.000	sig. at 1% level
Cc5	0.000	assumed not equal	0.001	sig. at 1% level
Da1	0.007	assumed not equal	0.437	not sig.
Da2	0.906	assumed equal	0.002	sig. at 1% level
Da3	0.007	assumed not equal	0.000	sig. at 1% level
Da4	0.165	assumed equal	0.769	not sig.
Da5	0.000	assumed not equal	0.011	sig. at 5% level
Db1	0.104	assumed equal	0.002	sig. at 1% level
Db2	0.000	assumed not equal	0.104	not sig.
Db3	0.034	assumed not equal	0.019	sig. at 5% level
Db4	0.103	assumed equal	0.002	sig. at 1% level
Dc1	0.300	assumed equal	0.062	not sig.
Dc2	0.400	assumed equal	0.076	not sig.
Dc3	0.596	assumed equal	0.000	sig. at 1% level

Specifically, the difference is considered to be fierce when the result of t-test is significant at 1% level. Such items and their statements are listed in Table 4-17.

Table 4-17 The statement showing significant difference between the two sides

Item	Statement	The group showing higher agreement
Aa1	Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	Successors
Aa2	Parents believe that the working ability is more important than educational background for a successor	Incumbents
Ab1	The child hopes to become the successor of his/her family business one day.	Incumbents
Ab3	The child is not willing to work under the influence and shadow of his/her patents.	Incumbents
Ab4	The child hopes to work together with his/her parents for more time.	Incumbents
Ab5	The child is very interested at the family business.	Incumbents
Ac1	The family business is a platform where the child realizes his/her dreams and ambitions.	Incumbents
Ac2	The child feels honored to contribute to the family business.	Incumbents
Bb1	The two generations in the family are happy to share their management experience.	Incumbents
Bb2	Family members enjoy spending their spare time with each other.	Incumbents
Bb3	All of the children in the family are equally cared.	Incumbents
Bc1	The family members sincerely cooperate and work as team members.	Incumbents

Bc2	The family members recognize the work results of the other.	Incumbents
Bc3	Each of the family members takes part in major decision-making of the family.	Incumbents
Ca2	The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	Successors
Cb3	The family business has clear short-term and long-term planning.	Incumbents
Cb4	The family business has a sustainable performance evaluation and promotion system.	Incumbents
Cc1	The suggestions raised by the employees are often not adopted at the family business.	Successors
Cc2	The operation of the business system is often disturbed by kinship.	Incumbents
Cc3	Most of the powers of the business are under the control of parents.	Incumbents
Cc4	Few of the members out of the family take part in decision-making of the family business.	Incumbents
Cc5	The family business is open to different viewpoints in decision-making.	Incumbents
Da2	The macro-economic situation reduces employment posts and leads to heavy employment pressure.	Incumbents
Da3	As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	Incumbents
Db1	The business needs insiders to manage, since it is hard to find a loyal professional manager.	Incumbents
Db4	The children are required to share weal and woes together with the elder generation in the unstable situation.	Incumbents
Dc3	The employees of the business accept the continuing management and leadership of the child.	Incumbents

It can be argued that incumbents and successors of family businesses may have differences in perceptions, willingness, and attitudes in terms of individual, family, enterprise society factors, including the criteria for judging individual abilities, the pursuit of self-seeking, the consideration of family intimacy and family adaptability, the state of family business and family's influence on it, the understanding of employment environment and market environment.

Those differences can lead to conflicts in the inheritance process. Specifically, incumbents show higher agreement in the majority of items, except Aa1, Ca2 and Cc1. This

result indicates that the so-called conflict may originate from successors' disobedience - they are unwilling to simply accept their parents' arrangement.

On the contrary, as shown in the result, items like family structure, prospects of family businesses inheritance environment and inheritance environment are not statistically significant, which means the incumbents and successors share a similar view on those issues.

4.4 Summary of this chapter

The influencing factors and conflicts in the process of family business inheritance are analyzed in this chapter. In terms of research methods, firstly, some statistical analysis tools are used to describe and analyze the answer of the respondents. The overall view of the data is obtained through description statistics. Then statistical analysis methods, including reliability analysis, binary logistic regression analysis, independent-sample t-test, etc. are adopted to analyze the influencing factors on successors selection, successors' willingness to inherit and the possible causes of conflicts in that process.

It can be concluded that most incumbents hope that their children can inherit the family business and they believe that there is no gap between two generations. When the incumbents choose the successors, all four factors will have an impact. From the results of data analysis, family factors have the greatest impact, followed by society factors, while individual factors and enterprise factors are same important. That is to say, the successor is selected mainly from the perspective of gender, relationship with family, and the social environment.

In our sample, more than half of the potential successors are reluctant to inherit the family business, which is influenced by individual, family and society factors. Instead, the children have their own career plan and believe that it cannot be restricted by family business. In addition, the expectation of their parents, the sincerity and cooperation between family members also have an impact on the successors' willingness. Peer pressure in society factors can be an important reason why the successor is not willing to inherit family business.

There are differences in the inheritance process of family business are mainly caused by the two generations' different views on some items, but they do not involve all the factors. Different understanding or consideration on such sectors can lead to conflicts in the inheritance process, which is going to be discussed in the next chapter.

Chapter 5: Solutions to Smooth Inheritance Process and Avoid Conflicts

Based on the analysis results in chapter 4, solutions to smooth inheritance process and avoid conflicts are proposed, including two aspects:

(1) Introducing an inheritance plan to avoid and resolve conflicts in the inheritance process. The plan involves both communication mechanisms for mutual understanding and comprehensive evaluation system to judge potential successors. During a gradual process, the family business will finally achieve satisfied performance, smooth transition, and long-term development with close communication and joint efforts of both sides.

(2) Proposing suggestions for promoting the willingness and participation of both sides. Based on the survey data obtained in Chapter 3 and the empirical analysis conclusions in Chapter 4, suggestions from the family, society, enterprise and individual factors are proposed to promote the willingness of the incumbent; then the suggestions from individual, family and society factors to promote the successor's willingness to inherit the family business.

It should be pointed out that the intergenerational inheritance of family business is complex and multi-faceted. It is unrealistic to formulate a universal and versatile set of measurements. However, according to the previous discussion on the factors influencing the successors of the incumbent, the factors influencing the successors to inherit, and the reasons for the conflicts in the process of inheritance, some applicable solutions and mechanisms can be found for reference by family businesses.

5.1 Formulate and improve the inheritance plan

5.1.1 Inheritance plan and communication mechanism

According to the analysis in Chapter 4, the incumbents and successors of the family business have differences in the understanding of the inheritance problems, which causes conflicts in inheritance process.

The conflict is manifested in: the incumbent wants his children to inherit the family business, while the successors do not want to inherit and the incumbent force the successors to inherit; the incumbent and the successor are inconsistent with the successor's self-fulfilling

form and criteria for evaluating the successor; the successor is pessimistic about the development prospects of the family business, so they resist to or voluntarily withdraws from the development of successors; the incumbent and the potential successor have different opinions on the impact of the social competition on personal development; the incumbent believes that the society lacks legal of punishment for defective professional managers and other aspects.

Therefore, this section designs the inheritance plan of the family business on the basis of fully considering the will of the incumbent and the successor, the conflict of the inheritance process and its manifestation. The content of the inheritance plan is shown in Figure 5-1:

Step 1: start the inheritance plan, then go to step 2.

Step 2: the incumbent is willing to choose his child as the successor. If yes, then go to step 3. If not, go to step 8.

Step 3: formulate comprehensive evaluation system. Then go to step 4.

Step 4: evaluate each potential successor. If he or she meets the basic requirement, then go to step 5. If not, go to step 6.

Step 5: the successor is willing to inherit. If yes, then go to step 7. If not, go to step 6.

Step 6: there still an alternative. If yes, then go to step 4. If not, go to step 8.

Step 7: the potential successor become one of the candidates. Go to step 9.

Step 8: start communication. If it works, go to step 4. If not go to step 12.

Step 9: the successor receives flexible development plan. If he or she give up halfway, go back to step 8, otherwise, go to step 10.

Step 10: the successor receives comprehensive evaluation. If he or she does not pass, go back to step 8, otherwise, go to step 11.

Step 11: the successor become the official successor. If his or her willingness changed, go back to step 8, otherwise, the whole inheritance complete.

Step 12: introducing the external successor to the family business. Then complete the whole inheritance.

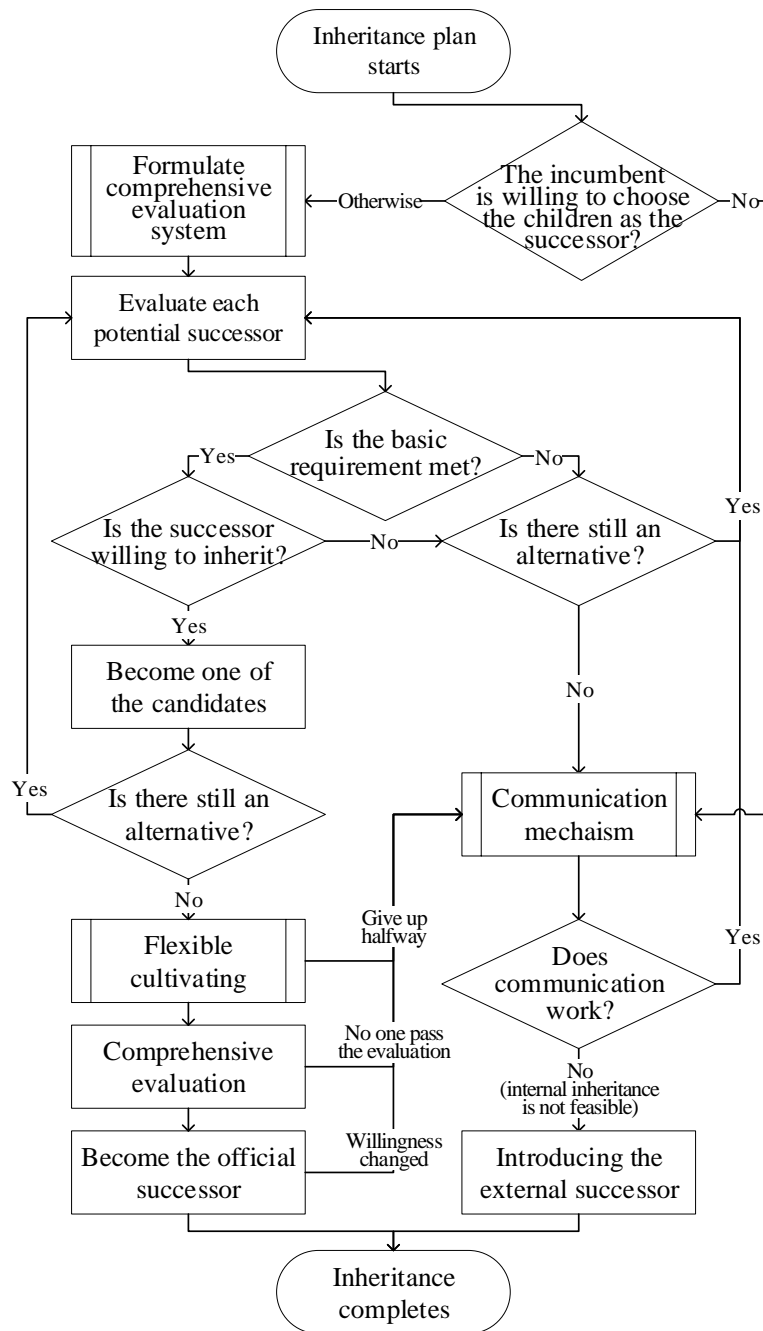


Figure 5-1 Proposed inheritance plan for family business

In the implementation process of the inheritance plan, due to the different manifestations, influences and causes of various conflicts, specific analysis should be carried out to formulate targeted plans in advance. In order to avoid and resolve conflicts, the communication between the incumbent and the successor is considered to be the key point. Specifically, the successor wants to take over the family business because of his/her capability, but the incumbent may only make decisions based on seniority, gender, relatives, etc. In this sense, the two sides communicate and consider to introduce comprehensive evaluation to replace the opaque subjective judgment. Moreover, when the successor starts to participate in business

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance management, the cumbersome daily affairs may weaken their interest. In that sense, it is necessary to improve the inheritance plan and reform management system. By giving the successor certain decision-making power, it helps him/her enhance sense of identity, participation, etc. The communication design between the two sides is in Figure 5-2:

Step 1: start the communication between two sides, then go to step 2.

Step 2: the incumbent is willing to choose the children as the successor. If yes, then go to step 3. If not, go to step 4.

Step 3: the successor is no longer willing to inherit. If yes, go to step 5. If not, go to step 8.

Step 4: the successor is willing to inherit. If yes, go to step 5. If not go to step 6.

Step 5: refer to comprehensive evaluation system, the potential successor is capable of being a successor. If yes, go to step 6. If not go to step 7.

Step 6: the successor is simply not interested. If yes, go to step 10. If not go to step 11

Step 7: the situation allowed to continue the successor development plan. If yes, go to step 8. If not go to step 9.

Step 8: express each other's views. Go to step 9.

Step 9: both sides willing to reserve their opinions. If yes, go to step 13. If not, go to step 14.

Step 10: the plan that helps potential successors to develop themselves is unreasonable. If yes, go to step 15. If not, go to step 12.

Step 11: the successor does not agree with family business's institution. If yes, go to step 12. If not go to step 16.

Step 12: reform the enterprise, go to step 16.

Step 13: continue the development plan. Go to step 16.

Step 14: introducing the external successor.

Step 15: adjust the development plan, go to step 12.

Step 16: negotiation on other aspects. And the inheritance plan is able to continue. If yes, the communication completes. If not, go back to step 14.

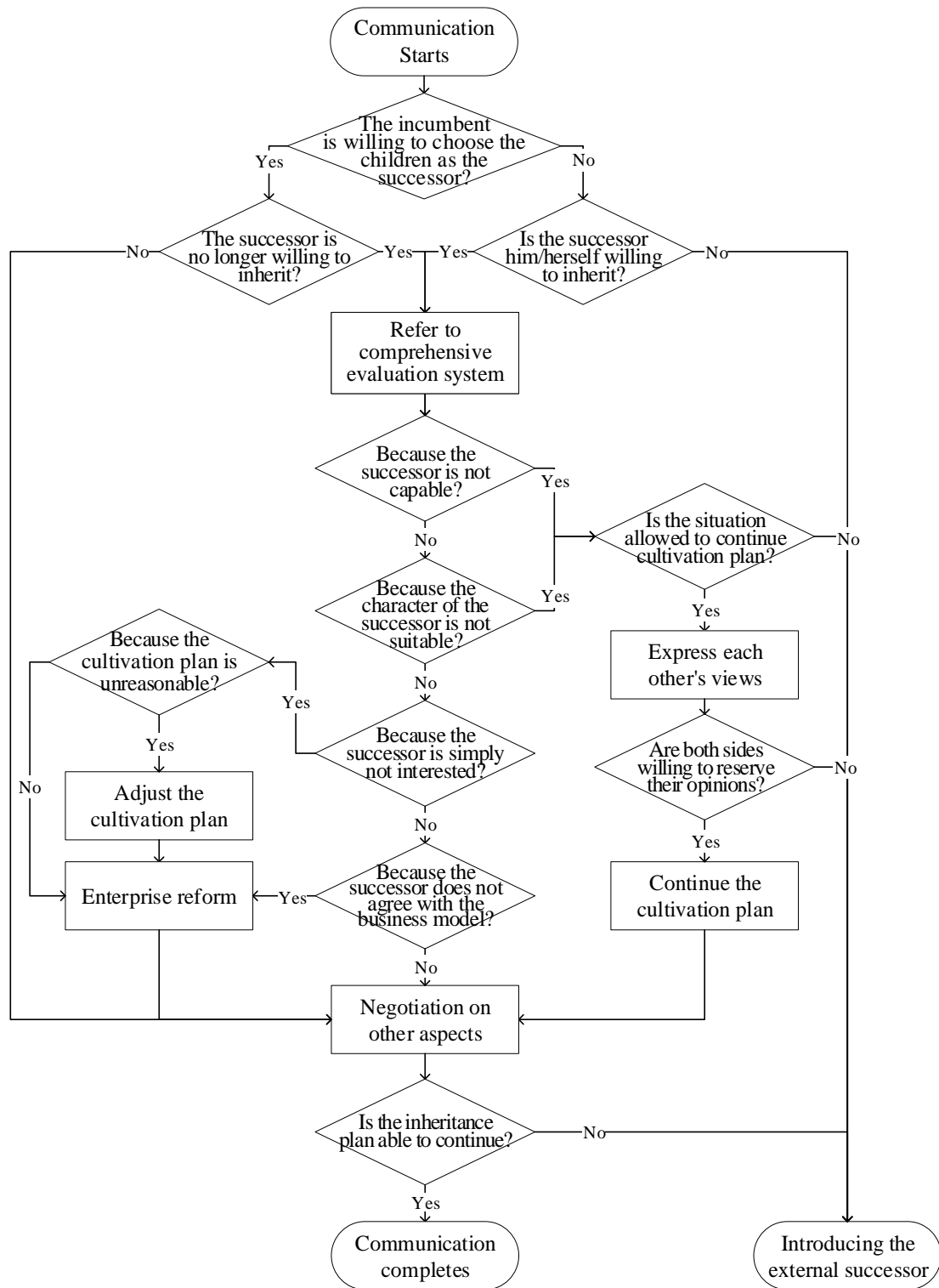


Figure 5-2 Proposed communication design

Fundamentally, the conflict between the two sides comes from mutual incomprehension, they have stereotypes of relationships between parents and children. Therefore, adequate communication is an effective way to eliminate contradictions, reach consensus, and gain mutual trust. The incumbent and the successor should be fully aware of the importance and

necessity of communication and reduce the possibility of conflict between the two generations.

On the one hand, the incumbent and the successor should respect each other. The incumbent should respect the individuality of the successor and listen to his/her voice. The successors must learn to be modest, listen to the opinions of the incumbent and study from the valuable experience of the incumbent. On the other hand, it is necessary to increase the time of getting along with each other, schedule regular communication, exchange views with each other, strengthen the understanding between the two generations, and finally the incumbent should allow the successors to take over the business independently.

Of course, although the internal inheritance model is the most common and traditional model in the family business inheritance process, with the advantage that the successor is very familiar with the basic situation of the enterprise and family members and can properly coordinate between the development of family business and the personal interests of family members.

However, if both the incumbent and the successor have no willingness to internal inheritance, the successor insists on not inheriting, or the successor's ability is not sufficient to inherit, or the personality of successor is not suitable for inheritance, "trapped in internal inheritance" will deteriorate the development of the family business, and even damage to the family relationships. Therefore, under the premise of full communication between the two sides, the incumbent can consider the external inheritance instead.

5.1.2 Successors development and comprehensive evaluation

Concerning the development of the successor may start before the family business has a clear inheritance plan, the development sometimes against successors' willingness. In the long run, successors will regard the family business as a chore with their enthusiasm dropping down; while the incumbent is suffering from the fact that successors does not understand his intentions, it will cause fierce confrontation between the two sides. In this sense, it is essential to design a flexible development plan and an evaluation system for potential successors.

The incumbent passes the company to the children, so that the family can still be controlled by their family, which allows the family business to last for a long time. However, because the incumbents and successors of family businesses differ in many aspects such as education level and growth environment, their ways to gain achievements and value orientation are different, which further leads to inconsistent judgments on the individual

ability and self-realization between the two sides.

According to the survey, the main basis for the incumbent to choose the successor is the experience he has accumulated over years, which is extremely subjective and can be expressed as the possibility of being influenced by traditional culture such as power can only be hand over to boys, thus neglecting the inheritance of girls. Professional managers will not be accepted to manage enterprises because of lack of trust in market mechanisms.

In order to avoid the risks brought by arbitrary decision-making, it is necessary to collect opinions from family members and enterprise executives extensively, and establish a scientific, systematic selection mechanism to evaluate the potential successors in the following aspects objectively: personal ability, inheritance enthusiasm, internal identification of family business and external work experience.

According to the collected data and empirical research conclusions designed in chapters 3 and 4, it is believed that the evaluation system should comprehensively examine three qualities of potential successors: business capability, personal quality, organization and coordination ability.

The business capability is an objective indicator, which belongs to the basic requirement of the successor. The family business should set specific standards according to development of family business.

Personal quality comes from the individual and society items of the questionnaire, mainly referring to whether the successor is suitable for family business management.

Organization and coordination ability come from the family and enterprise items of the questionnaire, which is anonymously scored by the relevant people (enterprise employees, executives, family members, major partners), reflecting the ability to run a family business.

The comprehensive evaluation system is listed in Figure 5-3:

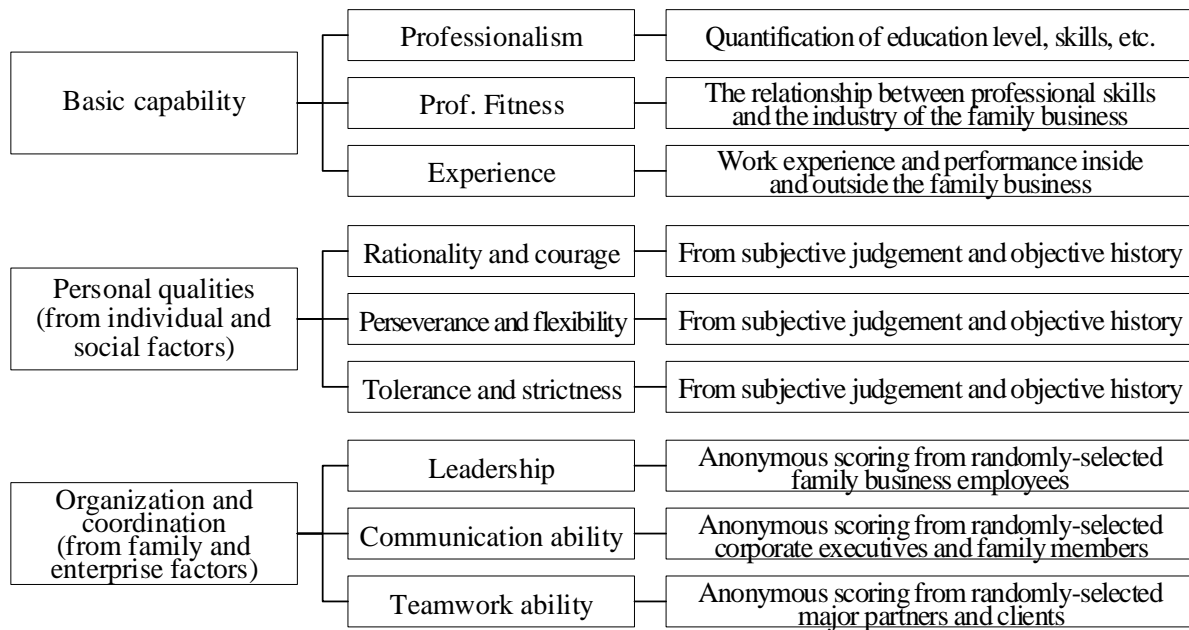


Figure 5-3 Proposed comprehensive evaluation system towards the successor

By strictly following the evaluation criteria and accepting the supervision of all the participants of the family business, the incumbent is able to determine the final successor. The subjective and objective combination-based evaluation can stimulate the participation of the potential successors, so that his/her personal ability will be fully utilized in the future development of family business. At the same time, the incumbent should focus on cultivating their abilities. The incumbent should take appropriate means to enhance their sense of belonging, to cultivate the knowledge and skills of them in a way that consistent with the development of the family business so that they can better practice in the future.

In addition, family business incumbents are suggested to arrange potential successors to gain internship experiences in family business before inheritance, so that they can better understand the development of family business, thereby increasing their willingness to inherit the family business. At the same time, the incumbent of the family business should actively communicate with their children, understand the capability of successors and adjust the development plan flexibly. The incumbent must be clear about the role he or she should assume, leading a sustainable development of family business.

5.2 Increase mutual willingness and participation

5.2.1 For the incumbents

According to the conclusions in Chapter 4, individual factors, family factors, enterprise factors, and society factors are all related to the willingness of the incumbent to choose children as successors. Among them, the influence of family factors is the most significant, followed by society factors, enterprise factors and individual factors have subtle impact on incumbents. Based on this, this section proposes advices from four perspectives that mentioned before, for promoting the willingness of the incumbent, as shown in Figure 5-4:

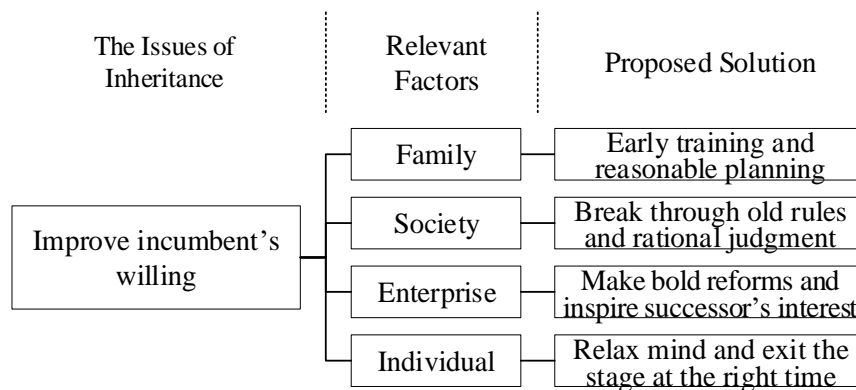


Figure 5-4 Advices for promoting the willingness of the incumbents

(1) Family level: training early and planning reasonably

The incumbent struggles to establish and consolidate the company when the family business is in a growth period. The incumbent is suffering from management pressure. However, in fact, along with the development of family businesses, children are gradually growing up. As potential successors, they have accumulated certain knowledge and hope to prove their ability in practice. If the incumbent separates the management of the family business from the education of the children, it tends to ignore the objective evaluation of the potential successors and the guidance of the children who choose to enter the enterprise. The inheritance of family business will face enormous hidden dangers without any plans.

Therefore, from the family point of view, in order to enhance the inheritance consciousness and willingness, the incumbent should consider the development of potential successors early, train the development successors' management ability in various ways, and formulate a sound plan to put into practice. Reasonable training and inheritance plan, on the one hand, is related to the potential succession of the successor, and whether he or she can become an ideal successor; on the other hand, in order to avoid insufficient preparation at the

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance
stage of power transfer, it also concerns the real problem of the incumbent's cognition and understanding (even though a distant matter at the time) to the "family business inheritance".

(2) Society level: breaking through old rules and judging rationally.

Chinese family businesses were generally born after the 1980s, but they were largely influenced by the "family concept" in traditional culture when forming a "family-style" management model. In this sense, the inheritance of family business is also a continuation of the problem of ancient family property. It is manifested in the incumbent's obsession with his own judgment to internal and external situation, who does not pay attention to or even ignores the views of successors and other employees. This phenomenon will weaken the successors' enthusiasm for work and even a conflicting psychology to the succession.

Therefore, from a social point of view, the incumbent is suggested to break through the old thinking mode, abandon the negative aspects in traditional customs, not to impose his own will on the successors, create an equal and sincere corporate environment and a rational and harmonious working atmosphere, allow children and other employees to express their opinions, share experiences with each other, and make recommendations in the process of corporate decision-making to cope with challenges from many internal and external environments.

(3) Enterprise level: reforming and stimulating interests

Not only the operation status, development prospects of the family business, but also the family members impact on daily management and strategic decision-making of the enterprise affect the willingness of the incumbent. The incumbent tends to take care of all aspects of the family business and hand over a stable family business to the successor, but the successor may think that it is boring to operate such a business and whose own goals cannot be met and realized, thus it is difficult for a successor to generate a strong willingness in this sense.

Therefore, from the perspective of enterprise level, in order to enhance the confidence of potential successors in family businesses, incumbents should consider reforming the corporate system, giving potential successors more creative and flexible positions, and guiding the formation of values that match the family business; At the same time, the modern system is more adaptable to the new leaders' business thinking and management concepts, so that they will generate positive psychology and interests in inheriting family businesses.

(4) Individual level: Adjusting attitude and transferring power timely

The incumbents of the family business regard enterprises they control as the byproduct

of their life-long efforts. When the inheritance period comes, they face the test of surrendering power completely. At this time, if the incumbent refuses to hand over power, (i.e. they ignore the facts of inadequate energy, postpone the transfer of power, or only hand over the nominal power while they still control the enterprise in fact, which interfere or even obstruct the independent decision of the successor.) it will not be conducive to the health of the family business.

According to the data collected, it is likely that the eldest son will become a successor of the family business, but it does not rule out the situation in which the brothers and sisters operate together. The latter situation sometimes has an advantage in a highly competitive market environment. In any case, since the incumbents make judgments according to their own criteria, he or she should be responsible for their own decisions. By recognizing the ability of the successors, the incumbents will hand over the power in a timely manner, withdraw completely from the management and let it go to the management of the successors, which allow successors to show their talents in the future development of the family business.

5.2.2 For the successors

According to the conclusions in Chapter 4, individual factor, family factor, and society factor have a great impact on the willingness to succeed of potential successors. All these three factors significantly affect the inherit willingness of successors. This section presents suggestions for enhancing the willingness of potential successors to inherit, as shown in Figure 5-5:

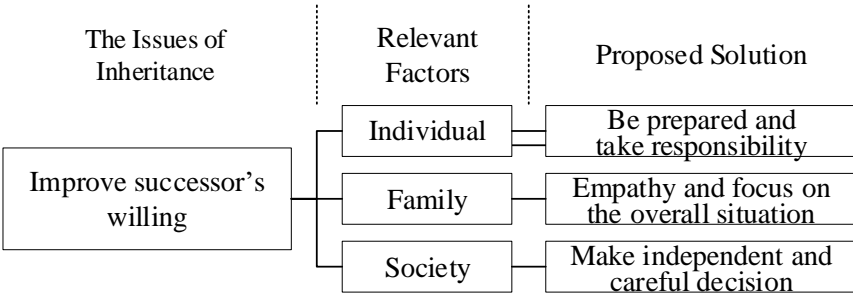


Figure 5-5 Advices for promoting the willingness of the successors

(1) Individual level: Preparing well and taking responsibility

When we choose the survey sample, the only child has a certain proportion because of china's real situation. So that most of the incumbents hope to pass their family business on to their children, which increases the succession pressure of the only child. The only child should also be aware of the responsibilities that he shoulders. If he or she is willing to inherit,

a long-term plan should be made; if he or she does not want to inherit, the incumbents (parents) should be informed as soon as possible to avoid inheritance conflicts.

Most of the leaders of family businesses in survey sample have 2-3 children. At this time, the incumbents tend to select the eldest son as the successor. Thus, the main factors that can influence the choice of successors are: the gender of the candidate successors, old or young among children. Similarly, for the male and the eldest son in the family, he is suggested to have a clear understanding of his identity and be prepared to inherit the family business.

According to the survey data, less-educated incumbents often prefer successors who have higher degrees, so the successors will be much more educated than the incumbents, and each successor is considered to have experienced in working in a family business. Therefore, the potential successors of the family business, including the children of non-male and non-eldest sons, should not be indifferent to the family business. They should try their best to learning, show their talents and outstanding achievements to their parents, which may affect the incumbent's mind when choosing successors. Or through working as a member, not as a leader, they can also dedicate themselves in family business.

(2) Family level: empathy, the overall situation valuation

After the questionnaire survey, it is found that the degree of sincerity and harmony between family members affects the willingness of potential successors to inherit family businesses. In a harmonious family relationship, family members will have a higher degree of trust, and potential successors will be more likely to succeed in family business; on the contrary, if family members obstruct the inheritance process in order to seek personal benefits, it will suspend the inheritance process, leading to family business disputes, and even irreversible results such as family divisions and corporate decline.

Therefore, from the view of family, in order to promote the successors' willingness to inherit, it is necessary for children to integrate their personal ideals into the development of family businesses. Whether they inherit the family business or not, they should focus on the overall situation and cooperate with other family members. Besides, since the power transfer of family businesses is a slow and continuous process, potential successors should be patient, stand on the perspective of their parents, brothers and sisters, communicate promptly and rationally when encountering problems, which eliminates confusions on responsibilities allocation during the transfer power process.

(3) Society level: independent judgment, careful decision

The social environment, including the employment environment, market environment and inheritance environment, will affect the willingness of the successors to inherit. When the macroeconomic trend is positive, the potential successors prefer to work outside, instead of being bound by the family business; on the contrary, the potential successors would like to work in the family business. The above phenomenon leads to the thoughts of potential successors to be volatile, which changes by the external environment, and affects previous inheritance plan. To this end, from a social point of view, it is necessary for the successors to have their own independent judgments about the environment. They must recognize their own identities and make decisions based on their interests and abilities.

5.2.3 Summary of this chapter

This chapter is based on the data and empirical analysis results in Chapter 4, especially considering the differences in the concept of family business inheritance between incumbents and successors, in order to achieve a smooth inheritance process, and to avoid or reduce the conflicts within. The comprehensive solution is proposed with flow charts and instructions to illustrate the main content of the solution, from multiple perspectives that includes inheritance plan, communication mechanism, successor training and evaluation system. The suggestions to increase mutual willingness and participation are given as the application of empirical conclusions in this thesis.

Family businesses should go through the solution with flexible modifications (when the willingness of successor changes) in reference to specific situation. It is hoped that family business can develop successor training programs and scientific evaluation criteria in successor selection. Besides, by adopting a communication mechanism between the two sides, the participation level and the sense of responsibility can be enhanced of both parties, so as to select suitable and competent family business successor. Afterwards, if there is no suitable candidate, it is not excluded to external inheritance by introducing a manager outside.

Chapter 6: Conclusion

Based on the results from the third chapter to the fifth chapter, the main conclusion of this thesis is summarized in this chapter, giving prospects for future research direction.

6.1 Main conclusion

Family business is the unity of “family” and “enterprise” and a mixture of social organizations and utilitarian organizations. As a social organization, the family business must first reflect the human nature, and achieve their continuity through intergenerational inheritance; as an economic organization, the continuous growth of family business is a main problem. Through the inheritance, the family business can achieve sustainable management, with the goal of profitability and persistence, then the company can survive well.

Since the traditional theoretical models are not feasible to the special characteristics in China, it is essential for Chinese family businesses to introduce an appropriate inheritance model to the development and growth of the enterprise. Besides, relevant researches show insufficiency in examining comprehensive influencing factors to the willingness of incumbents and successors, which confuses the incumbent in finding a solution to a smooth inheritance and eventually deteriorates the relationship between the two sides.

Based on the concept of family business, the process of successor selection, and the conflict in inheritance, three problems are mainly studied in this thesis: (1) factors influencing the willingness of incumbents to choose their children as successors; (2) factors influencing the willingness of potential successors to inherit; (3) conflicts in the process of family business inheritance.

Next, by introducing Stavrou and Swiercz four-factor theory, the research model and the questionnaire are designed in a comprehensive way, providing an overall prospective for all practitioners involved in family business, which is considered as one of the main innovative contributions in this thesis. Through systematic theoretical analysis, data and empirical research, the following conclusions are drawn:

(1) For the incumbent of the family business, individual factors, family factors, enterprise factors and society factors will have an impact on their selection for the successors. From the results of data analysis, family factors have the greatest impact, followed by society

factors, individual factors and enterprise factors are the least important. As usual, family is always the primary consideration for an incumbent in the family business and a parent in the family. On the one hand, the incumbent hopes to pass on his/her lifelong efforts to the children, achieving a continuation purpose; on the other hand, it is human nature to trust family members more than outsiders. Social concepts have a potential impact on the incumbent. These deep-rooted beliefs indirectly affect the incumbent when choosing successors. Individual factors and enterprise factors have a weak influence, such as the individual ability of the successor, the identity of the family business, the management of the enterprise, and the development prospects of the family business.

(2) Unlike the willingness of the incumbent, for potential successors, individual factors, family factors, society factors are related to their willingness to inherit, but enterprise factors have no statistical effect on it. From the results of data analysis, individual factors have the greatest impact, followed by family and society factors. Due to the high level of training, the potential successors have an independent personality and have a strong personal awareness of inheriting the family business. Therefore, for successors, individual factors will be given priority. Family factors refer to the hopes of parents, the relationship between family members, internal cooperation, etc. The fathers have a profound influence on the next generation. In the monographs on the replacement of family businesses, the succession process is generally divided into young enterprises according to the development process of the family. In the four stages of young enterprise, management enter, work together and power delegation, parents are critical to the willingness of the next generation to succeed in the family business. Two generations need to communicate with each other, express opinions on the corporate development of enterprise and succession issues and solve obstacles together. At the same time, society factors such as peer pressure, social values, cultural practices, etc. also influence the potential successors to inherit the family business in a subtle way.

(3) Through the data and empirical research in Chapter 4, the difference in some of the items of individual, family, enterprise and society factors are considered to be significant. Among them, the successors tend to oppose the views of the incumbents, indicating that they want to get rid of their parents and instead decide their careers alone. As a result, the two sides have conflicts in the family business inheritance process. In this regard, the formation of conflicts is caused by the inconsistency of the views of the two generations.

Individual perspective: one of the main manifestations of conflicts in the process of family business inheritance is individual conflict. In other words, incumbents and potential

successors have different ideas in three aspects: personal ability, sense of identity to family business and pursuit of self-realization. According to the data analysis in chapter 4, the specific aspects of conflict can be summarized as the preference of two generations in education and seniority, work ability and educational background. It is not difficult to find that these are due to the differences in the background of the two generations. Incumbents believe that seniority is more important than education and work ability, because they live in a cultural era that advocates the idea of first-born succession, while potential successors hold the opposite view. The new era teaches them that an able man should do more than his work, and they hope to prove themselves with their strength. According to the results of data analysis, many incumbents in the surveyed companies have only one child, so they strongly want their children to inherit the family business. However, due to the lack of peer competition, children prefer to work outside the family business and work without the influence of parents.

Family perspective: family factors are the second main manifestation of conflicts in the process of family business inheritance. That is to say, the concept of family structure, family intimacy and family adaptability of the reigning and successors are not consistent. Specific aspects according to the data analysis of the chapter 4, conflict can be summed up in incumbents prefer the male inheritance, prefer the first kid can inherit, successor must be a member of the family. On the one hand, for the incumbent, in the process of choosing successors who will pay more attention to the reproductive and sex, usually they want by men in the family or the eldest in the family to inherit, and successors generally not too concerned about sex and reproductive, for successors, more attention is whether they can learn useful management experience from incumbents and get equal love from the incumbent. On the other hand, incumbents believe that as long as family members participate in decision-making and treat potential successors equally, they will be happy to inherit the family business. However, potential successors believe that their participation in family decisions does not mean that they can truly play their role in the family business, and therefore does not mean that they are willing to inherit the family business.

In addition, in terms of family structure and family business inheritance environment, the two groups hold similar views, indicating that both the incumbent and the successor have a relatively clear understanding of their family and the family business. This is the basis for communication and negotiation. Based on the above analysis, the comprehensive solution is given, including inheritance plan, communication mechanism, successor cultivation (training)

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance and comprehensive evaluation mode, etc. With suggestions for enhancing the willingness and participation of both sides, it is possible to achieve a smooth inheritance of family business that avoids or reduces conflicts.

6.2 Limitations and prospects

The conflicts arising from the selection of successors and inheritance process are discussed through theoretical analysis, questionnaire survey and empirical analysis in this thesis, which draws some meaningful research conclusions, providing a reference to the inheritance of Chinese family businesses. However, there are still some shortcomings in the study of some specific problems, mainly in the following aspects:

(1) In terms of the questionnaire and empirical research on the willingness of the next generation to inherit the family businesses, it has been concluded through data analysis that the core factors affecting are individual, family and society factors, and there is no correlation effect of enterprise factors. The difference between the results obtained and the expected results is mainly due to the inadequacies of questionnaire design and data collection.

(2) This thesis does not involve the inheritance effect in the research process, and the inheritance effect is an important indicator to reflect the success of the inheritance process. The specific reason is that the research objects selected in this thesis are mostly small and medium-sized enterprises in Zhejiang and Jiangsu provinces. The limitations of the research objects lead to the inability to obtain effective data on inheritance effects. Therefore, in the subsequent data and empirical research analysis, it is hard to quantitatively analyze the enterprise performance before and after the family business inheritance, as well as to propose constructive opinions to guide the inheritance of the family business.

(3) In terms of the collection and analysis of data, due to the fact that in terms of the collection and analysis of data, the sample dimension may not represent the overall population of the Chinese company due to restricted sample dimension, and the results are not universal. From the literature review, the current research on the inheritance of Chinese family businesses mainly focuses on introducing the inheritance models and experiences of foreign family businesses. However, in practice, the progress of society and the changes in the market competition environment have forced most Chinese family companies to carefully consider the issue of inheritance, and it is extremely urgent to find a scientific and rational inheritance model.

Therefore, research on the inheritance of Chinese family business has always been very necessary, and it is worthwhile for domestic scholars to conduct research. The research of family business is a multi-disciplinary field. The inheritance process of family business is influenced by different cultures and society, and presents different forms of expression. The research on this issue has certain regional and complex nature. Therefore, the future research on the issue of inheritance of family businesses power should be based on multi-disciplinary fields, from different theoretical and research perspectives, thus forming systematic research results and conclusions.

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Appendix

#1 Questionnaire on the inheritance of the family business

(2018)

Hello! Thank you very much for taking part in this questionnaire survey.

The family business is an important part of the present economic development of China. After the reform and opening-up of 40 years, Chinese family businesses have entered the transition stage, and family relations and inheritance plans, next-generation willingness for inheritance and other aspects make major impacts on the inheritance and development of the family businesses. This survey aims to get to know about the factors that influence next-generation willingness for inheritance and may lead to conflicts in the family businesses.

Please complete this questionnaire according to the true situation of the family business and your personal ideas as much as possible. After the completion, we will grant you base compensation of RMB 10 yuan; meanwhile, based on the comprehensive quantitative analysis of the completeness, truthfulness and content quality, we will give you an extra premium of RMB 10 yuan at maximum.

We will treat your personal information as strictly confidential, with all of the data obtained to be only used for this research. And your business's private information will not be found in the analytical process or the research conclusion.

Questionnaire No.: _____

Questionnaire part 1

- Basic information -

Filled in on: , 2018

(The multiple-choice questions follow. Please tick \surd before the choice letter one by one.

Thank you!)

1、 Who are you in the family business?

- 【A】** successor (child) **【B】** incumbent (parent)

2、 How old are you?

- 【A】** 18-24 years old **【B】** 25-35 years old
 【C】 36-45 years old **【D】** Over 46 years old

3、 What's your gender?

- 【A】** Male **【B】** Female

4、 What's your current educational background (including the degree you are studying for)?

- 【A】** Lower than junior middle school **【B】** Junior middle school
 【C】 Senior middle school or technical secondary school **【D】** Junior college
 【E】 Undergraduate **【F】** Postgraduate (Including MBA)
 【G】 Full-time master **【H】** Doctor

5、 Do you have any overseas study experience (for more than one year in regions including Hong Kong, Macau and Taiwan)?

- 【A】** Yes **【B】** No

6、 Have you already worked at the family business?

- 【A】** Yes (I am working at the family business)
 【B】 Once (have exited from the family business)
 【C】 No

7、 Which industry does the family business belongs to?

- 【A】** Electrical machinery and equipment **【B】** Plastic products
- 【C】** Metalware **【D】** General-purpose equipment
- 【E】** Special equipment **【F】** Automobile accessories
- 【G】** Medicine **【H】** Chemical engineering
- 【I】** Shipbuilding **【J】** Other_____

8、 How was the family business promoted?

- 【A】** Individual proprietorship **【B】** Brother partnership
- 【C】** Father-son cooperation **【D】** Husband-wife cooperation
- 【E】** Son inheriting father's business **【F】** Other, please specify_____

9、 What's the registered capital (RMB) of the family business?

- 【A】** Less than 1 million
- 【B】** 1~5 million (including 1 million, excluding 5 million)
- 【C】** 5~10 million (including 5 million, excluding 10 million)
- 【D】** 10~50 million (including 10 million, excluding 50 million)
- 【E】** 50 ~100 million (including 50 million, excluding 100 million)
- 【F】** 100~500 million (including 100 million, excluding 500 million)
- 【G】** more than or equal to 500 million

10、 How many employees does the family business have?

- 【A】** Less than 10
- 【B】** 10~50(including 10, excluding 50)
- 【C】** 50~100(including 50, excluding 100)
- 【D】** 100~300(including 100, excluding 300)
- 【E】** 300~1000(including 300, excluding 1000)
- 【F】** 1000~2000(including 1000, excluding 2000)
- 【G】** More than or equal to 2000

11、 Are you the only child?

- 【A】** Yes (not to answer questions 12~16)
- 【B】** No (Continue to answer)

12、 How many immediate brothers do you have?

- 【A】** 0(No immediate brother)
- 【B】** 1
- 【C】** 2
- 【D】** More than 2

13、 What's your seniority among the immediate brothers?

- 【A】** 0(I am female.)
- 【B】** 1(I am the eldest brother.)
- 【C】** 2(I am the second elder brother.)
- 【D】** ≥ 3

14、 How many immediate sisters do you have?

- 【A】** 0(No immediate sister)
- 【B】** 1
- 【C】** 2
- 【D】** More than 2

15、 What's your seniority among the immediate sisters?

- 【A】** 0(I am a male)
- 【B】** 1(I am the eldest sister.)
- 【C】** 2(I am the second elder sister.)
- 【D】** ≥ 3

16、 What's your seniority among the immediate brothers and sisters?

- 【A】** 1(I am the eldest child.)
- 【B】** 2(I am the second child.)
- 【C】**) 3(I am the third child.)
- 【D】** ≥ 4

Questionnaire part 2

- The development and inheritance of family business -

As one of the potential successors, will you inherit the family business?

Yes No

As the incumbent, will you let your child to inherit the family business?

Yes No

How do you agree upon the following statements? Please tick the number of the statement that is consistent with your idea. And “1” stands for extreme objection and “7” stands for extreme agreement. The greater the number is, the more you agree. Please do not omit any statement.

No.	Item	Statement	Extreme objection → Extreme agreement						
			1	2	3	4	5	6	7
1	Aa1	Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	1	2	3	4	5	6	7
2	Aa2	Parents believe that the working ability is more important than educational background for a successor	1	2	3	4	5	6	7
3	Ab1	The child hopes to become the successor of his/her family business one day.	1	2	3	4	5	6	7
4	Ab2	The child hopes to prove his/her talents out of the family business.	1	2	3	4	5	6	7
5	Ab3	The child is not willing to work under the influence and shadow of his/her patents.	1	2	3	4	5	6	7
6	Ab4	The child hopes to work together with his/her parents for more time.	1	2	3	4	5	6	7
7	Ab5	The child is very interested at the family business.	1	2	3	4	5	6	7
8	Ac1	The family business is a platform where the child realizes his/her dreams and ambitions.	1	2	3	4	5	6	7
9	Ac2	The child feels honored to contribute to the family business.	1	2	3	4	5	6	7
10	Ac3	The child hopes to establish his/her own business in the future.	1	2	3	4	5	6	7
11	Ac4	A young man shall open up his/her own business and shall not reap where he/she has not sown.	1	2	3	4	5	6	7
12	Ac5	Working at the family business obliterates the personality and independence of the child.	1	2	3	4	5	6	7

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

13	Ba1	Parents expect a male successor even if he is not the eldest son in the family.	1	2	3	4	5	6	7
14	Ba2	Parents hope the eldest child will inherit the family business even if the child is the female.	1	2	3	4	5	6	7
15	Ba3	The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	1	2	3	4	5	6	7
16	Ba4	The parents hope the child can stay and work at the family business, but not necessarily become the successor.	1	2	3	4	5	6	7
17	Bb1	The two generations in the family are happy to share their management experience.	1	2	3	4	5	6	7
18	Bb2	Family members enjoy spending their spare time with each other.	1	2	3	4	5	6	7
19	Bb3	All of the children in the family are equally cared.	1	2	3	4	5	6	7
20	Bc1	The family members sincerely cooperate and work as team members.	1	2	3	4	5	6	7
21	Bc2	The family members recognize the work results of the other.	1	2	3	4	5	6	7
22	Bc3	Each of the family members takes part in major decision-making of the family.	1	2	3	4	5	6	7
23	Bc4	The family members discuss and positively face what has happened.	1	2	3	4	5	6	7
24	Bc5	The responsibilities and obligations of each family member are arranged in a flexible way.	1	2	3	4	5	6	7
25	Ca1	The existing model of the family business is unable to face the change of markets.	1	2	3	4	5	6	7
26	Ca2	The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	1	2	3	4	5	6	7
27	Ca3	All of the employees are full of confidence about the development of the family business.	1	2	3	4	5	6	7
28	Cb1	The business model is obsolete and has become an obstacle for further development.	1	2	3	4	5	6	7
29	Cb2	The family business has good operating and financial conditions.	1	2	3	4	5	6	7
30	Cb3	The family business has clear short-term and long-term planning.	1	2	3	4	5	6	7
31	Cb4	The family business has a sustainable performance evaluation and promotion system.	1	2	3	4	5	6	7
32	Cc1	The suggestions raised by the employees are often not adopted at the family business.	1	2	3	4	5	6	7
33	Cc2	The operation of the business system is often disturbed by kinship.	1	2	3	4	5	6	7
34	Cc3	Most of the powers of the business are under the control of parents.	1	2	3	4	5	6	7
35	Cc4	Few of the members out of the family take part in decision-making of the family business.	1	2	3	4	5	6	7

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

36	Cc5	The family business is open to different viewpoints in decision-making.	1	2	3	4	5	6	7
37	Da1	Rapid economic development brings young generation many opportunities.	1	2	3	4	5	6	7
38	Da2	The macro-economic situation reduces employment posts and leads to heavy employment pressure.	1	2	3	4	5	6	7
39	Da3	As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	1	2	3	4	5	6	7
40	Da4	With many external opportunities, it is not necessary for the children to stay at the family business.	1	2	3	4	5	6	7
41	Da5	Working out of the family business is more beneficial to the development of children.	1	2	3	4	5	6	7
42	Db1	The business needs insiders to manage, since it is hard to find a loyal professional manager.	1	2	3	4	5	6	7
43	Db2	The major scope of business is limited in a sunseting industry.	1	2	3	4	5	6	7
44	Db3	There is a lack of laws punishing disloyal professional managers.	1	2	3	4	5	6	7
45	Db4	The children are required to share weal and woes together with the elder generation in the unstable situation.	1	2	3	4	5	6	7
46	Dc1	It is common for the children's friends to enter the family business after graduation.	1	2	3	4	5	6	7
47	Dc2	The business executives hold positive attitudes when the management is taken over by the children.	1	2	3	4	5	6	7
48	Dc3	The employees of the business accept the continuing management and leadership of the child.	1	2	3	4	5	6	7

(End of the Questionnaire)

#2 Frequency distribution of all respondents

(Group I = Incumbents, S = Successors)

Factors	Items	Extreme disagreement		Neither disagreement nor agreement		Extreme agreement	
		I	S	I	S	I	S
		%					
A: Individual factor	Aa1: Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	63.3	42.9	17.8	12.8	18.9	44.2
	Aa2: Parents believe that the working ability is more important than educational background for a successor	23.3	46.2	21.1	27.6	55.6	26.3
	Ab1: The child hopes to become the successor of his/her family business one day.	43.3	55.8	16.7	25.6	40.0	18.6
	Ab2: The child hopes to prove his/her talents out of the family business.	53.3	52.6	23.3	25.6	23.3	21.8
	Ab3: The child is not willing to work under the influence and shadow of his/her patents.	35.6	52.6	21.1	21.2	43.3	26.3
	Ab4: The child hopes to work together with his/her parents for more time.	20.0	44.2	14.4	23.1	65.6	32.7
	Ab5: The child is very interested at the family business.	22.2	41.7	28.9	19.9	48.9	38.5
	Ac1: The family business is a platform where the child realizes his/her dreams and ambitions.	31.1	56.4	22.2	24.4	46.7	19.2
	Ac2: The child feels honored to contribute to the family business.	12.2	41.7	21.1	26.9	66.7	31.4
	Ac3: The child hopes to establish his/her own business in the future.	40.0	45.5	26.7	19.2	33.3	35.3
	Ac4: A young man shall open up his/her own business and shall not reap where he/she has not sown.	54.4	46.8	18.9	29.5	26.7	23.7
	Ac5: Working at the family business obliterates the personality and independence of the child.	40.0	44.2	22.2	24.4	37.8	31.4
	Ba1: Parents expect a male successor even if he is not the eldest son in the family.	51.1	62.2	17.8	19.9	31.1	17.9
	Ba2: Parents hope the eldest child will inherit the family business even if the child is the female.	37.8	39.7	24.4	25.6	37.8	34.6
	Ba3: The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	37.8	39.7	17.8	24.4	44.4	35.9
B: Family factor	Ba4: The parents hope the child can stay and work at the family business, but not necessarily become the successor.	33.3	28.8	23.3	27.6	43.3	43.6
	Bb1: The two generations in the family are happy to share their management experience.	22.2	57.1	16.7	18.6	61.1	24.4
	Bb2: Family members enjoy spending their spare time with each other.	14.4	35.9	12.2	21.2	73.3	42.9
	Bb3: All of the children in the family are equally cared.	14.4	41.7	26.7	27.6	58.9	30.8
	Bc1: The family members sincerely cooperate and work as team members.	26.7	44.9	24.4	19.2	48.9	35.9

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

	Bc2: The family members recognize the work results of the other.	14.4	31.4	25.6	25.6	60.0	42.9
	Bc3: Each of the family members takes part in major decision-making of the family.	16.7	44.2	23.3	14.1	60.0	41.7
	Bc4: The family members discuss and positively face what has happened.	17.8	24.4	7.8	22.4	74.4	53.2
	Bc5: The responsibilities and obligations of each family member are arranged in a flexible way.	24.4	27.6	14.4	16.7	61.1	55.8
	Ca1: The existing model of the family business is unable to face the change of markets.	56.7	44.9	23.3	21.8	20.0	33.3
	Ca2: The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	45.6	25.0	8.9	16.0	45.6	59.0
	Ca3: All of the employees are full of confidence about the development of the family business.	35.6	35.9	28.9	21.2	35.6	42.9
	Cb1: The business model is obsolete and has become an obstacle for further development.	44.4	33.3	25.6	28.2	30.0	38.5
	Cb2: The family business has good operating and financial conditions.	25.6	37.8	16.7	22.4	57.8	39.7
C: Enterprise factors	Cb3: The family business has clear short-term and long-term planning.	16.7	43.6	15.6	20.5	67.8	35.9
	Cb4: The family business has a sustainable performance evaluation and promotion system.	16.7	39.1	28.9	21.2	54.4	39.7
	Cc1: The suggestions raised by the employees are often not adopted at the family business.	47.8	28.2	26.7	24.4	25.6	47.4
	Cc2: The operation of the business system is often disturbed by kinship.	7.8	39.1	35.6	31.4	56.7	29.5
	Cc3: Most of the powers of the business are under the control of parents.	13.3	44.2	26.7	26.3	60.0	29.5
	Cc4: Few of the members out of the family take part in decision-making of the family business.	11.1	42.3	24.4	14.1	64.4	43.6
	Cc5: The family business is open to different viewpoints in decision-making.	13.3	35.9	14.4	14.7	72.2	49.4
	Da1: Rapid economic development brings young generation many opportunities.	38.9	39.7	18.9	10.9	42.2	49.4
	Da2: The macro-economic situation reduces employment posts and leads to heavy employment pressure.	18.9	34.6	20.0	25.0	61.1	40.4
	Da3: As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	18.9	44.2	26.7	19.9	54.4	35.9
D: Society factor	Da4: With many external opportunities, it is not necessary for the children to stay at the family business.	34.4	37.2	40.0	25.6	25.6	37.2
	Da5: Working out of the family business is more beneficial to the development of children.	60.0	40.4	27.8	26.3	12.2	33.3
	Db1: The business needs insiders to manage, since it is hard to find a loyal professional manager.	23.3	44.9	28.9	24.4	47.8	30.8
	Db2: The major scope of business is limited in a sunset industry.	48.9	46.2	35.6	18.6	15.6	35.3
	Db3: There is a lack of laws punishing disloyal professional managers.	22.2	35.3	23.3	20.5	54.4	44.2

The selection of the successors of Chinese family businesses and the conflicts in the process of inheritance

Db4: The children are required to share weal and woes together with the elder generation in the unstable situation.	36.7	49.4	10.0	16.7	53.3	34.0
Dc1: It is common for the children's friends to enter the family business after graduation.	43.3	45.5	16.7	26.9	40.0	27.6
Dc2: The business executives hold positive attitudes when the management is taken over by the children.	40.0	40.4	11.1	16.7	48.9	42.9
Dc3: The employees of the business accept the continuing management and leadership of the child.	26.7	49.4	21.1	20.5	52.2	30.1

#3 Frequency distribution of incumbents

Factor	Item	1	2	3	4	5	6	7
		%						
	Aa1: Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	12.2	16.7	34.4	17.8	8.9	10.0	0.0
	Aa2: Parents believe that the working ability is more important than educational background for a successor	1.1	10.0	12.2	21.1	31.1	20.0	4.4
	Ab1: The child hopes to become the successor of his/her family business one day.	7.8	26.7	8.9	16.7	13.3	15.6	11.1
	Ab2: The child hopes to prove his/her talents out of the family business.	8.9	25.6	18.9	23.3	7.8	13.3	2.2
	Ab3: The child is not willing to work under the influence and shadow of his/her patents.	4.4	12.2	18.9	21.1	21.1	18.9	3.3
A: Individual factor	Ab4: The child hopes to work together with his/her parents for more time.	2.2	14.4	3.3	14.4	18.9	33.3	13.3
	Ab5: The child is very interested at the family business.	3.3	12.2	6.7	28.9	21.1	17.8	10.0
	Ac1: The family business is a platform where the child realizes his/her dreams and ambitions.	4.4	16.7	10.0	22.2	16.7	24.4	5.6
	Ac2: The child feels honored to contribute to the family business.	2.2	3.3	6.7	21.1	30.0	16.7	20.0
	Ac3: The child hopes to establish his/her own business in the future.	6.7	14.4	18.9	26.7	14.4	11.1	7.8
	Ac4: A young man shall open up his/her own business and shall not reap where he/she has not sown.	7.8	21.1	25.6	18.9	14.4	10.0	2.2
	Ac5: Working at the family business obliterates the personality and independence of the child.	4.4	14.4	21.1	22.2	17.8	13.3	6.7
	Ba1: Parents expect a male successor even if he is not the eldest son in the family.	11.1	24.4	15.6	17.8	6.7	17.8	6.7
B: Family factor	Ba2: Parents hope the eldest child will inherit the family business even if the child is the female.	2.2	22.2	13.3	24.4	16.7	14.4	6.7
	Ba3: The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	2.2	4.4	31.1	17.8	13.3	18.9	12.2

	Ba4: The parents hope the child can stay and work at the family business, but not necessarily become the successor.	4.4	13.3	15.6	23.3	21.1	15.6	6.7
	Bb1: The two generations in the family are happy to share their management experience.	1.1	6.7	14.4	16.7	21.1	20.0	20.0
	Bb2: Family members enjoy spending their spare time with each other.	2.2	2.2	10.0	12.2	40.0	20.0	13.3
	Bb3: All of the children in the family are equally cared.	2.2	3.3	8.9	26.7	26.7	20.0	12.2
	Bc1: The family members sincerely cooperate and work as team members.	4.4	5.6	16.7	24.4	12.2	30.0	6.7
	Bc2: The family members recognize the work results of the other.	0.0	10.0	4.4	25.6	16.7	22.2	21.1
	Bc3: Each of the family members takes part in major decision-making of the family.	4.4	2.2	10.0	23.3	25.6	18.9	15.6
	Bc4: The family members discuss and positively face what has happened.	2.2	1.1	14.4	7.8	36.7	27.8	10.0
	Bc5: The responsibilities and obligations of each family member are arranged in a flexible way.	4.4	11.1	8.9	14.4	37.8	23.3	0.0
	Ca1: The existing model of the family business is unable to face the change of markets.	5.6	25.6	25.6	23.3	7.8	10.0	2.2
	Ca2: The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	4.4	14.4	26.7	8.9	24.4	17.8	3.3
	Ca3: All of the employees are full of confidence about the development of the family business.	4.4	11.1	20.0	28.9	16.7	13.3	5.6
	Cb1: The business model is obsolete and has become an obstacle for further development.	8.9	17.8	17.8	25.6	13.3	11.1	5.6
C: Enterprise factors	Cb2: The family business has good operating and financial conditions.	7.8	7.8	10.0	16.7	17.8	32.2	7.8
	Cb3: The family business has clear short-term and long-term planning.	2.2	1.1	13.3	15.6	14.4	31.1	22.2
	Cb4: The family business has a sustainable performance evaluation and promotion system.	0.0	5.6	11.1	28.9	23.3	22.2	8.9
	Cc1: The suggestions raised by the employees are often not adopted at the family business.	18.9	15.6	13.3	26.7	20.0	5.6	0.0
	Cc2: The operation of the business system is often disturbed by kinship.	0.0	4.4	3.3	35.6	20.0	22.2	14.4
	Cc3: Most of the powers of the	1.1	2.2	10.0	26.7	35.6	13.3	11.1

	business are under the control of parents.							
	Cc4: Few of the members out of the family take part in decision-making of the family business.	0.0	1.1	10.0	24.4	33.3	20.0	11.1
	Cc5: The family business is open to different viewpoints in decision-making.	0.0	11.1	2.2	14.4	35.6	24.4	12.2
	Da1: Rapid economic development brings young generation many opportunities.	5.6	14.4	18.9	18.9	25.6	8.9	7.8
	Da2: The macro-economic situation reduces employment posts and leads to heavy employment pressure.	1.1	11.1	6.7	20.0	33.3	22.2	5.6
	Da3: As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	2.2	4.4	12.2	26.7	30.0	16.7	7.8
	Da4: With many external opportunities, it is not necessary for the children to stay at the family business.	5.6	11.1	17.8	40.0	11.1	10.0	4.4
	Da5: Working out of the family business is more beneficial to the development of children.	4.4	14.4	41.1	27.8	7.8	3.3	1.1
D: Society factor	Db1: The business needs insiders to manage, since it is hard to find a loyal professional manager.	0.0	8.9	14.4	28.9	23.3	21.1	3.3
	Db2: The major scope of business is limited in a sunseting industry.	6.7	13.3	28.9	35.6	6.7	8.9	0.0
	Db3: There is a lack of laws punishing disloyal professional managers.	2.2	3.3	16.7	23.3	16.7	23.3	14.4
	Db4: The children are required to share weal and woes together with the elder generation in the unstable situation.	3.3	16.7	16.7	10.0	21.1	22.2	10.0
	Dc1: It is common for the children's friends to enter the family business after graduation.	1.1	14.4	27.8	16.7	18.9	13.3	7.8
	Dc2: The business executives hold positive attitudes when the management is taken over by the children.	4.4	8.9	26.7	11.1	10.0	23.3	15.6
	Dc3: The employees of the business accept the continuing management and leadership of the child.	0.0	5.6	21.1	21.1	23.3	10.0	18.9

#4 Frequency distribution of successors

Factor	Item	1	2	3	4	5	6	7
		%						
A: Individual factor	Aa1: Compared with those with higher seniority or old age in the family, parents prefer a well-educated successor.	2.6	18.6	21.8	12.8	28.2	13.5	2.6
	Aa2: Parents believe that the working ability is more important than educational background for a successor	8.3	20.5	17.3	27.6	15.4	8.3	2.6
	Ab1: The child hopes to become the successor of his/her family business one day.	5.8	30.8	19.2	25.6	12.8	3.8	1.9
	Ab2: The child hopes to prove his/her talents out of the family business.	7.7	23.1	21.8	25.6	15.4	5.1	1.3
	Ab3: The child is not willing to work under the influence and shadow of his/her patents.	13.5	23.7	15.4	21.2	13.5	9.0	3.8
	Ab4: The child hopes to work together with his/her parents for more time.	5.8	16.7	21.8	23.1	16.7	11.5	4.5
	Ab5: The child is very interested at the family business.	5.1	20.5	16.0	19.9	19.2	14.7	4.5
	Ac1: The family business is a platform where the child realizes his/her dreams and ambitions.	7.1	28.8	20.5	24.4	7.7	7.7	3.8
	Ac2: The child feels honored to contribute to the family business.	9.6	12.8	19.2	26.9	14.1	12.2	5.1
	Ac3: The child hopes to establish his/her own business in the future.	5.1	17.3	23.1	19.2	12.8	12.8	9.6
	Ac4: A young man shall open up his/her own business and shall not reap where he/she has not sown.	7.7	15.4	23.7	29.5	11.5	9.6	2.6
	Ac5: Working at the family business obliterates the personality and independence of the child.	2.6	13.5	28.2	24.4	12.8	10.3	8.3
	Ba1: Parents expect a male successor even if he is not the eldest son in the family.	7.1	32.7	22.4	19.9	12.2	3.2	2.6
	Ba2: Parents hope the eldest child will inherit the family business even if the child is the female.	3.2	12.8	23.7	25.6	23.7	7.1	3.8
	Ba3: The successor shall be a family member since the outsiders do not understand the hard work of the elder generation.	5.1	10.3	24.4	24.4	14.7	16.7	4.5

	Ba4: The parents hope the child can stay and work at the family business, but not necessarily become the successor.	3.2	12.2	13.5	27.6	25.6	10.3	7.7
	Bb1: The two generations in the family are happy to share their management experience.	12.2	14.1	30.8	18.6	12.2	8.3	3.8
	Bb2: Family members enjoy spending their spare time with each other.	11.5	9.6	14.7	21.2	16.7	17.9	8.3
	Bb3: All of the children in the family are equally cared.	10.3	16.0	15.4	27.6	17.9	4.5	8.3
	Bc1: The family members sincerely cooperate and work as team members.	7.1	10.9	26.9	19.2	17.3	14.1	4.5
	Bc2: The family members recognize the work results of the other.	1.9	12.8	16.7	25.6	32.7	10.3	0.0
	Bc3: Each of the family members takes part in major decision-making of the family.	8.3	14.7	21.2	14.1	28.2	9.6	3.8
	Bc4: The family members discuss and positively face what has happened.	2.6	6.4	15.4	22.4	27.6	16.7	9.0
	Bc5: The responsibilities and obligations of each family member are arranged in a flexible way.	3.8	11.5	12.2	16.7	25.0	20.5	10.3
	Ca1: The existing model of the family business is unable to face the change of markets.	5.8	15.4	23.7	21.8	21.2	10.3	1.9
	Ca2: The successor will be entrusted with an important post when the family business undergoes a crisis in the future.	5.8	7.7	11.5	16.0	20.5	24.4	14.1
	Ca3: All of the employees are full of confidence about the development of the family business.	9.6	9.0	17.3	21.2	21.8	17.9	3.2
	Cb1: The business model is obsolete and has become an obstacle for further development.	5.1	9.6	18.6	28.2	12.8	15.4	10.3
C: Enterprise factors	Cb2: The family business has good operating and financial conditions.	0.6	11.5	25.6	22.4	17.9	14.1	7.7
	Cb3: The family business has clear short-term and long-term planning.	10.3	14.7	18.6	20.5	13.5	16.0	6.4
	Cb4: The family business has a sustainable performance evaluation and promotion system.	7.7	16.0	15.4	21.2	17.9	17.3	4.5
	Cc1: The suggestions raised by the employees are often not adopted at the family business.	0.0	10.3	17.9	24.4	23.7	18.6	5.1
	Cc2: The operation of the business system is often disturbed by kinship.	10.3	10.3	18.6	31.4	12.8	13.5	3.2
	Cc3: Most of the powers of the	5.1	9.6	29.5	26.3	9.6	11.5	8.3

	business are under the control of parents.							
	Cc4: Few of the members out of the family take part in decision-making of the family business.	9.6	14.7	17.9	14.1	25.6	16.7	1.3
	Cc5: The family business is open to different viewpoints in decision-making.	10.9	13.5	11.5	14.7	15.4	24.4	9.6
	Da1: Rapid economic development brings young generation many opportunities.	9.0	14.1	16.7	10.9	17.3	21.8	10.3
	Da2: The macro-economic situation reduces employment posts and leads to heavy employment pressure.	5.1	9.0	20.5	25.0	26.3	11.5	2.6
	Da3: As the fierce competitive situation makes entrepreneurship hard, it is better to keep the family business rather than starting up a new business.	12.2	13.5	18.6	19.9	18.6	17.3	0.0
	Da4: With many external opportunities, it is not necessary for the children to stay at the family business.	5.8	14.7	16.7	25.6	21.8	10.9	4.5
	Da5: Working out of the family business is more beneficial to the development of children.	9.6	12.8	17.9	26.3	15.4	17.9	0.0
D: Society factor	Db1: The business needs insiders to manage, since it is hard to find a loyal professional manager.	6.4	14.7	23.7	24.4	14.7	9.0	7.1
	Db2: The major scope of business is limited in a sunset industry.	11.5	23.1	11.5	18.6	9.6	11.5	14.1
	Db3: There is a lack of laws punishing disloyal professional managers.	7.1	13.5	14.7	20.5	8.3	27.6	8.3
	Db4: The children are required to share weal and woes together with the elder generation in the unstable situation.	9.6	16.0	23.7	16.7	17.9	15.4	0.6
	Dc1: It is common for the children's friends to enter the family business after graduation.	6.4	14.1	25.0	26.9	12.8	12.8	1.9
	Dc2: The business executives hold positive attitudes when the management is taken over by the children.	8.3	17.3	14.7	16.7	23.1	5.8	14.1
	Dc3: The employees of the business accept the continuing management and leadership of the child.	3.8	23.1	22.4	20.5	19.2	9.6	1.3