Exploring Entrepreneurial Familism in Hong Kong and Mainland China: Second-Generation Family Entrepreneurs

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DECLARATION

I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

(Signed) ___________________________

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I started this project two years ago when I completed all DBA pre-dissertation writing courses. I have been interested in Chinese family entrepreneurship over the last three decades because of phenomenal economic growth of China. The Diaspora Chinese societies in the Asia-Pacific region have also attracted sustained inquiry into the relationship between Chinese family entrepreneurship and traditional cultural values. Throughout my 20-year career, I have served four business families from Hong Kong, US, and France respectively. It is a privilege to have known many family business leaders and senior executives in Hong Kong and mainland China. Their candid and open sharing of experience helps me to have a better understanding of family business dynamics which represent the most enduring business model in the Chinese world.

The study of Entrepreneurial Familism in Hong Kong and mainland China has not been made possible without the unfailing involvement and support of numerous people, to whom I have to express my deepest gratitude for what they have done to complete this 2-year dissertation project. I am most grateful to 10 second-generation family entrepreneurs from Hong Kong and mainland China for taking their precious time to participate in this research and provide me with useful data about what it takes to own and operate their family businesses.

My sincerity appreciation is extended to my dissertation supervisor, Dr. David Clark-Murphy, for his encouragement and support that lead me to the right way throughout this research.

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This dissertation is dedicated to my parents. I have learnt a lot from them about how to deal with many challenges in life. Nothing in a simple paragraph can express my love for them who have guided me at each turn in the road of life.
This study is an early attempt to investigate entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China. For the recent three decades, a group of management scholars have marshalled theoretical and empirical evidence to support their proposition that entrepreneurial practices of family entrepreneurs in Diaspora Chinese societies are due mainly to the influence of Confucianism. Based on the Weberian premise that culture can enhance levels of entrepreneurial activity and reinforce entrepreneurial practices, the so-called culturist perspective maintains that entrepreneurial practices of family entrepreneurs can be interpreted as a fixed essentialised cultural phenomenon. It further argues that family entrepreneurs have exhibited similar entrepreneurial practices in mainland China that can be attributable to the influence of Confucian cultural values.

Based on in-depth interviews with and qualitative data collected from 10 second-generation entrepreneurs in Hong Kong and mainland China, this study adopts an emic approach to researching entrepreneurial practices of family entrepreneurs in three key aspects, including family, ownership, and business. The main objective of this study is to investigate enduring and changing, if any, entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China. It allows the researcher an insight into how entrepreneurial practices of second generation family entrepreneurs are due mainly to the influence of traditional Confucian values.

The empirical results of this study shows that second-generation family entrepreneurs had an enduring pattern of entrepreneurial practices, including
family first principles, respect for some of the five cardinal values and behaviours, concentration of ownership, dearth of institutionalisation of ownership governance mechanism, the importance of moral values and self-discipline in paternalistic leadership.

However, the empirical results also show that second-generation family entrepreneurs had a changing pattern of entrepreneurial practices in terms of vertical conjugal and consanguineous relationships, attitudes towards Chinese traditional rituals, preference for son to be key management successor, nepotism, patrilineal principle of intergeneration ownership transfer, separation of ownership and management, authoritarian leadership style, and unquestioned allegiance and submission from their employees.

This study provides evidence against the culturist perspective that Chinese entrepreneurs are passive recipients of traditional cultural values as fundamental changes in entrepreneurial practices have been found. Therefore, the extant culturist perspective should be refined and reinterpreted judiciously when applied to second-generation family entrepreneurs in both Chinese societies nowadays.
# TABLE OF CONTENTS

## CHAPTER 1 INTRODUCTION

1.1 Background to the Study .................................................... 11
1.2 Research Problem and Questions ...................................... 15
1.3 Definitions and Terms ......................................................... 17
1.4 Justifications and Importance of the Study ...................... 19
1.5 Research Methodology ......................................................... 22
1.6 Thesis Outline ................................................................. 23
1.7 Delimitations ................................................................. 26
1.8 Summary ................................................................. 27

## CHAPTER 2 LITERATURE REVIEW

2.1 Introduction ................................................................. 29
2.2 Macro-Level ................................................................. 33
   2.2.1 Culture and Levels of Entrepreneurial Activity and Practices ......................................................................................... 33
   2.2.2 Family and Entrepreneurship ................................................. 41
      2.2.2.1 Financial Capital ......................................................... 45
      2.2.2.2 Human Capital ................................................................. 45
      2.2.2.3 Social Capital ................................................................. 47
   2.2.3 Culture and Family Entrepreneurship ...................................... 48
2.3 Meso-Level ................................................................. 54
   2.3.1 Confucianism and Chinese Entrepreneurship ...................... 54
   2.3.2 Entrepreneurial Familism ..................................................... 62
2.4 Micro-Level ................................................................. 65
   2.4.1 Entrepreneurial Practices – Family Axis ......................... 65
      2.4.1.1 Family First Principle and Obligations To Family Members ............................................................................. 65
      2.4.1.2 Harmonious Family Relationship .................................. 66
      2.4.1.3 Patriarchalism and Patrilinealism .................................... 67
   2.4.2 Entrepreneurial Practices – Ownership Axis ................. 70
      2.4.2.1 Concentration of Ownership ........................................ 70
      2.4.2.2 Coparcenary and Patrilineal Principle of Ownership Succession .......................................................... 72
   2.4.3 Entrepreneurial Practices – Business Axis ................. 74
      2.4.3.1 Nepotism and non-Family Professional Managers ............ 74
      2.4.3.2 Paternalistic Leadership ............................................ 75
      2.4.3.3 Guanxi ................................................................. 79
   2.5. Summary ................................................................. 80
CHAPTER 3 RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction ........................................................................................................ 86
3.2 Philosophy of the Researcher ............................................................................. 86
3.3 The Emic Approach ........................................................................................... 90
3.4 Alternative Research Methods ........................................................................... 93
  3.4.1 Ethnography .................................................................................................. 93
  3.4.2 Focus Group Interviewing ............................................................................. 94
  3.4.3 Action Research ............................................................................................ 95
  3.4.4 Case Study ................................................................................................... 96
3.5 Research Design and Implementation .............................................................. 96
  3.5.1 Rationales for a Holistic and Multiple-Case Research Design ....................... 97
  3.5.2 Sampling Method .......................................................................................... 98
  3.5.3 Selection of Research Participants ............................................................... 101
  3.5.4 Data Collection ............................................................................................. 103
    3.5.4.1 Interview Protocol and Process of Interview ........................................ 105
    3.5.4.2 Secondary Documents .......................................................................... 107
    3.5.4.3 Direct Observation ................................................................................ 107
  3.5.5 Data Analysis ................................................................................................ 108
3.6 Validity and Reliability ....................................................................................... 113
  3.6.1 Construct Validity .......................................................................................... 113
  3.6.2 Internal Validity ............................................................................................ 114
  3.6.3 External Validity ........................................................................................... 114
  3.6.4 Reliability ..................................................................................................... 115
3.7 Ethical Considerations ......................................................................................... 116
3.8 Summary .............................................................................................................. 117

Chapter 4 DATA ANALYSIS AND RESULTS

4.1 Introduction ......................................................................................................... 118
4.2 Research Question 1: Personal and Family Business Background ................... 120
  4.2.1 Personal Background ................................................................................... 120
    4.2.1.1 Age ......................................................................................................... 121
    4.2.1.2 Gender and Work Experience in Family Business .................................. 122
    4.2.1.3 Hierarchical Positions and Relationships with the First-Generation Family Entrepreneurs .............................................................. 122
    4.2.1.4 Education ............................................................................................... 123
    4.2.1.5 Family Size ............................................................................................ 124
  4.2.2 Views towards Confucian Values ................................................................. 125
    4.2.2.1 Five Cardinal Behaviours ..................................................................... 126
    4.2.2.2 Five Cardinal Relationships .................................................................. 128
CHAPTER 5 DISCUSSION OF FINDINGS AND EXPLORATORY OUTCOMES

5.1 Introduction ......................................................... 177
5.2 Summary of Major Findings and Conclusions ............... 177
5.3 Theoretical Implications .......................................... 187
5.4 Practical Implications ............................................... 193
5.5 Limitations and Implications for Future Research ............ 196
5.6 Main Conclusions

REFERENCES

APPENDICES

APPENDIX 1 Interview Protocol
APPENDIX 2 Consent Form
APPENDIX 3 Information Statement
APPENDIX 4 Invitational Email
APPENDIX 5 Human Research Ethics Committee Approval

LIST OF FIGURES

Fig 1-1 Five Chapters of the Thesis
Fig 2-1 The Literature Review
Fig 2-2 The Three-Circle Model of Family Business
Fig 2-3 The Three-Circle Development Model of Family Business
Fig 2-4 Five Cardinal Relationships and Behaviours
Fig 2-5 Shareholder Control in Hong Kong
Fig 2-6 Paternalistic Leadership
Fig 2-7 Theoretical Framework - The Culturist Perspective
Fig 3-1 Quantitative versus Qualitative Research
Fig 3-2 Etic and Emic Study of Family Entrepreneurship
Fig 3-3 Four Chains of Referrals
Fig 3-4 Key characteristics of 10 research participants
Fig 3-5 Triangulation of Data
Fig 3-6 Data Analysis Process
Fig 3-7 Framework of Sections
Fig 4-1 Personal Background
Fig 4-2 Views Towards Confucian Values
Fig 4-3 Family Business Background
Fig 4-4 The Three Circle Development Model of 10 Family Business
Fig 4-5 Family Axis
Fig 4-6 Ownership Axis
Fig 4-7 BOD Composition of Family Members
Fig 4-8 Shareholding Control
Fig 4-9 Business Axis
Fig 4-10 Enduring and Changing Entrepreneurial Practices
Fig 5-1 Theoretical Implications for Etic and Emic Studies
Fig 5-2 Entrepreneurial Familism
Chapter 1

INTRODUCTION

“The Chinese business family is the contemporary extension of cultural tradition that has always promoted the family as the fundamental organizing and working unit of society”
(Chen, 2001)

1.1 Background to the Study

Max Weber’s The Protestant Ethics and the Spirit of Capitalism (2007 <1930>) claims that the ethical teaching of Protestantism enables modern Europe to develop the spirit of capitalism. The religious beliefs and practices in Protestantism, as key dimensions of culture in modern Europe, can impact on the development of capitalist civilisation. Central to Protestantism, it is suggested that the doctrines of ‘predestination’ and ‘vocation’ can lead to specific economic behaviours. The effect of culture on levels of entrepreneurial activity and practices is expounded.

For the recent three decades, the mainstream scholarship in the field of culture and entrepreneurship has purported to demystify the working of entrepreneurship and culture in developed and emerging economies in two broad research subjects. The first research subject is concerned with culture and levels of entrepreneurship by identifying cultural traits that enhance and inhibit entrepreneurship in different countries. Based on Hofstede’s four-dimension of national culture (1980), research findings from Shane (1993), Davidsson (1995), Davidsson and Wiklund
(1997), Dieckmann (1996), Mueller and Thomas (2001), Mueller, Thomas, and Jaeger (2002), and Russell (2004) have revealed that countries with high level of entrepreneurial activity tends to exhibit such cultural traits, including high individualism, low uncertainty avoidance and power distance, and masculine.

The second research subject within the field of culture and entrepreneurship involves the study of entrepreneurial practices in different cultural settings. It sheds light into the relationship between entrepreneurial practices and cultural values in which each national culture produces entrepreneurial practices “that are unique to its particular history and values” (Russell 1997:11). For example, Dodd and Patra (2002) examine international differences in entrepreneurial networking pattern and the research findings demonstrate that Greek entrepreneurs have more strong-tie contacts including kin and friends in their networks than entrepreneurs from Northern Irish. Tiessen (1997) and Baugh and Neupert (2003) maintain that countries with cultures characterised by individualism and high uncertainty avoidance rely on contract-based transaction approach to accessing early financing whereas entrepreneurs in collectivism and low uncertainty avoidance cultures depend on clan-based approach to accessing needed financial resources for their start-ups.

The economic success of four little dragons, including Hong Kong, Taiwan, Singapore, and Korea since the 1980s, has prompted a group of management scholars to examine the causal link between culture and entrepreneurship in East Asia. Redding and Hicks (1983), Yu (1987), Hofstede and Bond (1988), Vogel (1991), Kao (1993), Weidenbaum (1996, 1998), Chen (2001), and Redding (1990) consider Confucianism the most influential cultural values in Diaspora Chinese societies which coins family as the basic social and economic unit to become
sources of wealth creation, consumption, and distribution that contribute to economic dynamism in Hong Kong, Taiwan, and Singapore. Moreover, such cultural values have greatly influenced the ways how entrepreneurs organise and conduct their businesses.

The influence of Confucian values on entrepreneurial practices of family entrepreneurs in Diaspora Chinese societies has been delineated by three key axes, namely family, ownership, and business.

In terms of family axis, Chinese family entrepreneurs are viewed to embed the emotional-based family system with task-based business system in their business ventures. All family members are required to sacrifice their personal interest and be subservient to the upkeep of ‘family name’ (jia sin) by obliging themselves to continue the business (Hsu, 1988). The definition of family members includes not only immediate family members but also the extended household. All family members’ resources are devoted to the venture of the family business (Redding, 1990) through high level of devotion, including affection, respect, duty, and obedience (Cheng, 1995; Yan and Sorenson, 2004, 2006). Due to the principles of patrilineal and patriarchal, founding family entrepreneurs who are family figure heads tend to arrange their sons instead of daughters to manage the business (Wong, 1985; Chung, 2005).

In terms of ownership axis, Chinese family entrepreneurs favour high concentration of shareholding in their hands together with their family members. Sole proprietorship is the commonest form of ownership (Wong, 1985, 1986) and partnership with familial clan (Haley, Haley and Tan, 2009) or unrelated ties of descent can occur if they can be viewed as trustful and reciprocal partners.
Unlike family entrepreneurs in Japan in which ownership succession is based on the order of primogeniture, firm ownership is dispersed and splintered upon demise of founding family entrepreneurs and inheritance distribution is based on the principles of ‘jural equality’ and ‘patrilineal descent’ (Chau, 1991; Zheng, 2009).

In terms of business axis, Chinese family entrepreneurs place great emphasis on the importance of networks (Weidenbaum, 1996; Kao, 1993; Yeung, 1988) to obtain reliable market intelligence and procure financial resources. Trust is regarded as a necessary condition for building quality, longer, and deeper business relationships within their networks (Redding, 1990; Haley, Haley and Tan, 2009). Moreover, family entrepreneurs usually arrange people who are linked directly to family relations to occupy key managerial positions (Wong, 1985, 1988; Xing, 1995; Ahlstrom, Young, Ng, and Chan, 2004; Wijaya, 2008). They also emphasise trust from top to bottom and work relations are more personal than contractual. Employees are required to have unquestionable loyalty to their employers who are obliged to take care of their interest (Han, 1992; Jacobs, Gao and Herbig, 1995; Sheh, 2001; Yan and Sorenson, 2004).

Much of the scholarly studies on entrepreneurial practices of family entrepreneurs in Diaspora Chinese societies claim that family entrepreneurs have homogeneous sets of entrepreneurial practices that are due mainly to the influence of Confucianism. This culturist perspective further maintains that entrepreneurial practices of family entrepreneurs in mainland China represents a readoption of entrepreneurial practices of Diaspora Chinese family entrepreneurs and their practices can be treated as homogeneous as a ‘single plate’. They have prognostised that their entrepreneurial practices can be considered the lynchpin of
entrepreneurship in mainland China and become the powerful engine of China’s economic progress (Schlevogt, 2002; Redding and Witt, 2010).

1.2 Research Problem and Questions

According to Creswell (1998), the key research problem specifies the focus of this research and research questions indicate what data is required for each specified issue. This study is going to revolve around an empirical search for answers to the following key research problem:

“What are the salient features of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China and how can the culturist perspective be extended, refined, or reinterpreted when applied to the study of Chinese family entrepreneurs”

The key objective of this study is to identify entrepreneurial practices of 10 second-generation family entrepreneurs in three key aspects, including family, ownership, and business. This is an exploratory research because the general research problem statement starts with ‘what’ instead of ‘why’ (Maxwell, 2004). Five specified research questions pertinent to the problem statement are articulated as follows:

RQ1: What is the background of second-generation family entrepreneurs and their family businesses?

RQ1 investigates issues pertinent to background information of second-generation
family entrepreneurs (research participants) and their family businesses such as sex, age, education, work history, family environment, personal values, nature of the business, company age, approximate company revenue per annum, number of employees, and other progression issues.

**RQ2: How do the complex roles and relationships of second-generation family entrepreneurs involved in their family businesses and the succession plan (family axis)?**

RQ2 focuses on key family issues pertinent to attitudes of second-generation family entrepreneurs towards their family businesses (i.e. loyalty, respect, obedience and personal obligations; relationship between immediate and extended family members) and their management succession planning (patrilineal and patriarchal).

**RQ3: How do second-generation family entrepreneurs view and/or manage ownership of their family businesses? (ownership axis)?**

RQ3 deals with how second-generation family entrepreneurs view ownership of their family businesses in terms of share ownership distribution (i.e. one individual or many, non-family shareholding) and control (board of directors) as well as ownership succession planning.

**RQ4: How do second-generation family entrepreneurs undertake business development and management complexity in their family businesses (business axis)?**
RQ4 addresses how second-generation family entrepreneurs develop and expand their ventures (i.e. guanxi and networking, internal and external constraints). It is also concerned with key management complexity issues including leadership style and human resources management.

**RQ5: What are the enduring and changing features of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China in terms of family, ownership, and business?**

RQ5 is an analysis of data collected from RQ2 and RQ4. It is a matching exercise to identify enduring and changing entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China so that the researcher can use qualitative evidence in the cases to examine whether second-generation family entrepreneurs in Hong Kong and mainland China exhibits certain homogeneous entrepreneurial practices as stated by the culturist perspective.

### 1.3 Definitions and Terms

The core definitions used in this study that have been adopted from various sources in the field of Chinese family entrepreneurship research are listed below:

**Confucianism:** the term *Confucianism* (or *Rujia* in Chinese) is referred to a philosophical system of social, moral, and political thought developed by the Chinese saga Confucius (*Kongzi*, 551-479BC) and succeeded by Mercius and Xunzi (Chen and Lee, 2008). The Analects of Confucius (*Lunyu*) is the primary source of the philosophical system and key ideas of the system include ‘five
constant virtues’ (wuchang) and ‘five cardinal relationships’ (wu lun). A detailed discussion of the definitions of Confucian values is presented in Chapter Two.

**Family Business:** the term *family business* is commonly adopted by business researchers to study family-owned firms in the Western world (Sharma, 2004; Miller and Breton-Miller, 2005). According to Gersick, Davis, Hamption and Lansberg (1997), a family business typically comprises a combination of three key aspects, including family, ownership, and business that distinguish them from a non-family business.

**First- and Second-Generation Family Entrepreneurs:** First-generation family generation is synonymous with founding family entrepreneurs who start up their own family businesses. Second-generation family entrepreneurs are those who are immediate/ extended family members of the first-generation family entrepreneurs and manage/own family businesses previously/currently owned by the first-generation family entrepreneurs.

**Entrepreneurial Familism:** this term is coined by Whyte (1996), Berger (1988), Redding (1990), Kao (1993), Weidenbaum (1996), Lin and Chen (1999) and Chen (2001) that family is the basic social and economic unit that becomes the source of wealth creation, consumption, and distribution in the Diaspora Chinese societies.

**Culturist Perspective:** The culturist perspective follows the Weberian premise that traditional culture influence levels of entrepreneurial activity and practices. It maintains that traditional Confucian values are the key driving force behind the surge and development of family entrepreneurship in Diaspora Chinese societies.
1.4 Justifications and Importance of the Study

There are three key theoretical and utilitarian reasons to justify for the study of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China.

First, the study of second-generation family entrepreneurs in Hong Kong and mainland China is relatively new especially as compared with other detailed empirical investigations of non-family entrepreneurs and first-generation family entrepreneurs. The researcher has undertaken electronic search of scholarly journals and published working papers pertinent to second-generation family entrepreneurs in Hong Kong and mainland China via Proquest/ABI-Inform, SSRN, and Google and the search does not include published studies in book chapters. The search of the extant literature yield less than 10 empirical studies that focus on issues surrounding second-generation family entrepreneurs in Hong Kong and mainland China. It indicates that the study of second-generation family entrepreneurs in Hong Kong and mainland China has been slow to eventuate, although there is a growing interest in this under-researched domain. Therefore, this under-researched domain still creates numerous opportunities for further qualitative and qualitative study.

Second, family entrepreneurship in Hong Kong and mainland China has been playing a more significant role towards the national economy in terms of economic output and job creation. The top five public listed family businesses in Hong Kong dominate 26% of market capitalization value of all public listed firms in the Hong Kong Stock Exchange (Lee and Li, 2009). In mainland China, the number of privately-owned firms was increased from 1.76 million in 2000 to 4.98
million in 2006 with a total registered capital of RMB7,602.9 billion (Nie, Xin and Zhang, 2009). Recent empirical research on privately-owned firms in some of the fast-growing economic regions including Guangdong and Zhejiang has revealed substantial presence of firms with family ownership in different industrial sectors (Poutziouris, Wang, and Chan, 2002; Economist, 2004; Li and Matlay, 2006; Yu and Chen, 2009).

After the 2008 global financial turbulence, economists have prognosticated that the Greater China including Hong Kong, Taiwan, and mainland China is on its way to become one of the most powerful regions in the world economy over the next few decades (Jacques, 2009; Roach, 2009, Khanna and Palepu, 2010, IMF, 2010, Lee, 2012, Nolan, 2012). The Washington-based Pew Research Center has maintained that "China's economic power is on the rise and many think it eventually supplant the United States as the world's dominant superpower"(Lieberthal, 2013). Moreover, the TIME magazine names the twenty-first century as ‘The Chinese Century’ (Elliot, 2007:15).

As the above allured, Chinese family business is now playing a significant role in different industrial sectors but our understanding of their entrepreneurial practices is still fragmented and lag behind its significance in Diaspora and mainland Chinese societies. The majority of research on Chinese family entrepreneurs still predominantly studies entrepreneurial practices of the first generation (Koning and Verver, 2013) and there is a dearth of empirical studies of second-generation Chinese family entrepreneurs, despite the fact that they have been becoming active in the business world (Carlock, 2013). This study can help managers from foreign firms, policy makers, and first-generation family entrepreneurs to have a better understanding of business practices of second-generation family
entrepreneurs in Hong Kong and mainland China. Nevertheless, a better understanding of their entrepreneurial practices can facilitate possible business exchanges between foreign and Chinese family entrepreneurs in this dynamic market as well as smooth family business succession.

Third, this study is going to take an insider approach to investigating entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China. The insider or ‘emic’ approach strives to understand their practices from ‘the native’s point of view’ (Leung, Morris, Armes and Lickel, 1999:781). Contrary to the ‘etic’ approach that focuses on how Chinese entrepreneurial practices differ from those in the non-Chinese world (Leung and White, 2003), the emic approach detects if there are enduring and changing entrepreneurial practices of Chinese entrepreneurs in Diaspora and mainland Chinese societies. It also helps to identify other potential research directions, including traditional cultural values and the longevity of family firms in Hong Kong and China, specific Chinese cultural values and distinctive impacts on business practices of Chinese family entrepreneurs, family business succession and leadership, and entrepreneurial practices and changing institutional environment. Most of the extant scholarly accounts of Chinese family entrepreneurs have adopted, however, an etic view to suggest that their entrepreneurial practices are homogenous due to the influence of Confucianism. The adoption of an emic approach to uncover enduring and changing entrepreneurial practices of second-generation family entrepreneurs is therefore worthy of investigation which can generate more insightful research findings to the understanding of entrepreneurial familism in the Chinese world.
1.5 Research Methodology

This study is exploratory and qualitative in nature. It is exploratory in the sense that the researcher attempts to address different research questions within the interpretative paradigm in which the foci of the research is on understanding “what is happening in a given context” (Carson, Gilmore, Perry and Gronhaug, 2001). It is an emic study characterised by the researcher ‘moving closer to’ the research participants in unfolding entrepreneurial practices of second-generation Chinese family entrepreneurs during the process of investigation (Cox and Hassard, 2005). According to Kriz and Fang (2000), qualitative techniques can be used to undertake an emic study. The rich data to be collected justify for the use of such techniques.

This study focuses on enduring and changing entrepreneurial practices of 10 second-generation family entrepreneurs in Hong Kong and mainland China and the adoption of case study research approach can help the researcher to ‘investigate a contemporary phenomenon within its real life context’ (Yin, 2009:13).

The selection of second-generation Chinese family entrepreneurs in this multiple case study was based on the use of non-probability sampling strategy. Through the chain of referrals within different social and business networks consisting of people in positions of relative authority and proximity to the research participants (Atkinson and Flint, 2001), the researcher initiated contacts with second-generation entrepreneurs and a dendrogram stated in Fig 3-3 demonstrates that the researcher used different chains of referral to gain access to second-generation family entrepreneurs in both Chinese societies.
Qualitative personal interview method was the key technique for data collection in this research. Each interview lasted approximate 2.5 hours and all interviews were recorded and transcribed by the researcher. Open-ended questions were the key research instrument for the qualitative interviews to capture “the deep nuances and dynamic interactions” (Woodside, 2005:19) with the research participants. The researcher also undertook site inspections and collection of company and other press documents pertinent to their family businesses.

The types of data for analysis were qualitative that include transcribed interviews, field notes, company and other press documents. The whole data analysis procedures included data reduction, display, and conclusion drawing/verification. Content analysis technique was used for data reduction and display in this study. The nodes for data coding are structured according to different issues and all key issues associated with the research questions are used as framework (Fig 3-6) for organising codes to process the data. Nvivo was used as it appropriately supported code-based inquiry, searching, and theorizing and allowed for detailed annotation and editing but it could not take over interpretation of the data. In presenting relevant data from the data analysis, the researcher developed a framework of sections (Rowley, 2002) in order to analyse and compare different patterns and themes in an organised manner.

1.6 Thesis Outline

This study is divided into five key chapters which conform to that generally undertaken for PhD and DBA dissertations in American, European, and Australian business schools (Perry, 2002).
Chapter One: Introduction
Chapter Two: Literature Review
Chapter Three: Research Methodology and Design
Chapter Four: Data Analysis and Results
Chapter Five: Discussion of Findings and Exploratory Outcome

Fig 1-1 Five Chapters of the Thesis

Chapter One provides an overview of the study of second-generation Chinese family entrepreneurs and presents and justifies its research significance and value. It addresses the topics to be discussed and articulate the problem statement and research questions for this empirical research. It explicates theoretical and practical justifications of the study to be undertaken and the research methodology.
and designs to be adopted.

Chapter Two presents a comprehensive review of the extant literature pertinent to culture and family entrepreneurship and the development of Chinese family entrepreneurship and entrepreneurial practices of Chinese family entrepreneurs in Diaspora and mainland Chinese societies. It highlights key issues in this research domain and concludes with an identification of the current research gaps in the literature. This examination of the extant literature is used to justify for the formulation of the research problem and relevant research questions.

Chapter Three presents the methodology to be used for this research including the use of qualitative case study research as a research approach, the development and administration of a series of in-depth interviews with the research participants, collection of pertinent data from different sources, sampling selection technique, and methods and protocols to be needed for capturing, organising, and analyzing data. A dendrogram to demonstrate utilisation of different referrals to gain access to second-generation family entrepreneurs in both Chinese societies is stated in Fig 3-3. The interview protocol which enables 10 research participants being interviewed to be as informative as possible in responding to different questions is stated in Appendix 1.

Chapter Four discusses the analysis of the qualitative data and addresses the research questions as outlined in Chapter One. The transcribed interviews and other research data will be coded and analysed. A framework of sections to analyse data is stated in Fig. 3-6.

Chapter Five is an investigation of the research findings in the context of the
research findings and identification of its contribution to the study of family entrepreneurship in Hong Kong and mainland China in both theoretical and utilitarian terms. In light of the research findings, it also identifies limitations and shed light on further directions in this research domain. A diagram to accompany this section is stated in Fig 5-2.

1.7 Delimitations

The researcher does lament the modesty of the contribution and many important and knottiest issues have gone unrecognised. There are caveats to be considered in this study.

First, the limitation of the study pertains to the representativeness of the sample. This study is limited to an examination of second-generation family entrepreneurs in Hong Kong and key cities in mainland China. The research findings are to these two specific Chinese societies which can be representative of advanced economic regions in the Chinese world but by no means representative of Chinese family entrepreneurs in other Diaspora Chinese societies such as Singapore, Taiwan, Malaysia, Thailand, and Indonesia as well as other cities in mainland China. Further research needs to target other family entrepreneurs from other Diaspora Chinese societies in search of convergence and divergence of evidence. A complete study of second-generation family entrepreneurs in other Diaspora and mainland Chinese societies is ruled out due to time and cost constraint.

Second, this study is a multiple case research that emphasises depth instead of breadth. The use of snowball sampling has been criticised by management
researchers as being too idiosyncratic in its selection of researched subjects from the population. Moreover, generalisation and perfect replicability of the research findings and data collection procedures to second-generation family entrepreneurs in other Diaspora and mainland Chinese societies remains in question. It is also limited by the amount of social and business relationships the researcher can build, though it is pivotal in collecting rich and authentic data in undertaking qualitative management research in Hong Kong and mainland China.

Despite the limitations this study will face, this study is a first important step towards investigation of entrepreneurial practices of second-generation Chinese entrepreneurs in Diaspora and mainland Chinese societies and certainly opens further research avenues in the study of Chinese family entrepreneurship.

1.8 Summary

The theoretical and utilitarian relevance of having a better understanding of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China is clear. Being one of the largest in terms of territory and powerful economic societies in Asia, Hong Kong and mainland China have been becoming a fertile ground for empirical business research. This study can advance a better understanding of the nature of family entrepreneurship in the Chinese world as well as to what extent this entrepreneurial phenomenon can be interpreted from the extant culturist perspective. The research findings are significantly important for management researchers, policy makers, and executives in the business world to understand what is really happening behind the bamboo curtain nowadays and also provides a roadmap for further rigorous
study in this research domain.

The introductory chapter provides an overview of this study. It sets out the scene for this thesis and outlines the forthcoming chapters. Chapter Two includes a detailed review of the extant literature pertinent to the study of the emergence and development of family entrepreneurship as well as entrepreneurial practices of family entrepreneurs in Diaspora and mainland Chinese societies as stated in the culturist perspective.
Chapter 2
LITERATURE REVIEW

“The things you see from there, you cannot see from here”

(Silverthorne, 2006)

2.1. Introduction

This chapter attempts to provide an extensive and systematic review of the extant literature surrounding culture and family entrepreneurship, the culturist perspective towards emergence and development of family entrepreneurship, and entrepreneurial practices of family entrepreneurs in Diaspora and mainland Chinese societies. According to Hart (2009), the literature review section role is to select available published and unpublished documents pertinent to the research being proposed and to undertake an effective evaluation of these documents in order to justify the proposed research topic, design, and methodology.

The emergence and growth of family entrepreneurship in Diaspora and mainland Chinese societies in the past few decades have captured the attention of sociologists and management scholars. A significant number of studies of family entrepreneurship have been based on the general assumption that the emergence and growth of Chinese family entrepreneurship can be attributed to the influence of Confucianism because Confucianism, as one of the fundamental of traditional culture values, places great emphasis on the importance of family (Chen, 2001) as
an organising and working institution in the society.

Berger (1988), Wong (1985, 1988), Redding (1990), Hofstede, Frank, and Bond (1991), Weidenbaum (1996), Whyte (1996), Chen (2001), and Wijaya (2008) and have coined ‘entrepreneurial familism’ as a key entrepreneurial phenomena in which family interest takes precedent over individual and other interests. Yu (2001) has further maintained that entrepreneurial familism permeates entrepreneurial practices in Diaspora Chinese societies, ranging from acquisition of financing, management techniques, to marketing strategies (P.181). Hofstede and Hofstede’s *Culture and Organizations: Software of the Mind* (2005) has also stated that people living in countries such as Hong Kong and mainland China with high index in collectivism have the tendency to integrate people into large cohesive working group and emphasize family interests. While viewing family entrepreneurship as an accretion of the traditional cultural values, more studies (Poutziouris, Wang and Chan, 2002; Schlevogt, 1999, 2002; Pistrui, Huang, Welsh and Zhao, 2006; Zhou, 2012) have focused on entrepreneurial practices of family entrepreneurs in mainland China with greater consideration of the influence of Confucian cultural values. The convergent hypothesis claims that entrepreneurial practices of family entrepreneurs in Diaspora and mainland Chinese societies are as homogeneous as a single plate which is due to the influence of Confucianism.

From this preliminary literature review, a gap in the study of Chinese family entrepreneurship is observed and this literature review chapter presents and explores published and unpublished documents about the following issues in the context of Chinese family entrepreneurship:-
Fig 2-1 Literature Review

2.1. Introduction

2.2 Macro-Level

2.2.1 Culture and Levels of Entrepreneurial Activity and Practices

2.2.2 Family and Entrepreneurship
   2.2.2.1 Financial Capital
   2.2.2.2 Human Capital
   2.2.2.3 Social Capital
   2.2.3 Culture and Family Entrepreneurship

2.3 Meso-Level

2.3.1 Confucianism and Chinese Entrepreneurship

2.3.2 Entrepreneurial Familism

2.4 Micro-Level

2.4.1 Entrepreneurial practices - Family Axis
   2.4.1.1 Family First Principle and Obligations to Family Members
   2.4.1.2. Harmonious Family Relationship
   2.4.1.3 Patriarchalism and Patrilinealism

2.4.1.4 Entrepreneurial practices - Ownership Axis
   2.4.2.1 Concentration of Ownership
   2.4.2.2 Coparcenary and Patrilineal Principle of Ownership Succession

2.4.1.5 Entrepreneurial practices - Business Axis
   2.4.3.1 Nepotism and non-Family Professional Managers
   2.4.3.2 Paternalism
   2.4.3.3 Guanxi

25 Summary
The literature review section is structured on the basis of a three-tiered approach of macro-, meso-, and micro- (Kriz, 2004). It is au fait with the analysis of a research subject from the general to the specific. The proposed structure of this literature review is dictated by the following considerations.

At the macro-level, the researcher undertakes an examination of the extant literature about how culture affects levels of entrepreneurial activity and practices as well as the characteristics of family entrepreneurship.

The meso-level looks at how the cultural perspective interprets the causal link between Confucianism and the surge of entrepreneurial familism in Diaspora and mainland Chinese societies.

The micro-level examines entrepreneurial practices of Chinese family entrepreneurs in three key aspects, namely family, ownership, and business.

The summary section highlights gaps in the extant literature and proposes relevant research directions for this empirical study.
2.2 Macro-Level

2.2.1 Culture and Levels of Entrepreneurial Activity and Practices

In the fields of economics and management science, there has been a proliferation of research viewing culture as a potentially key explanatory variable to proscribe or constrain economic performance and to determine management behaviours (De Jong, 2009). The previously published theoretical and empirical studies have demonstrated the importance and influence of culture in explaining differences in economic progress in developed and emerging economies. Examples are Landes’ (1998) historical study of wealth throughout the world to understand how different cultures facilitate and retard economic success in different countries, Phelps’ (2007) study of dearth of economic dynamism in the European Continent’s Big Three, including Germany, France, and Italy, which is due mainly to low cultural values in innovation, problem-solving, and discovery, and Rosefielde’s (2008) study of economic performance and contrasting cultural characteristics of five great political powers.

Moreover, specific cultural values are viewed as a key variable to explain why and how people are heterogeneous in different business practices across countries. The cockpit of the Boeing and Airbus that are constructed is considered a reflection of value differences in culture between US and Europe (Carraher, 2003). According to Hofstede, culture can be defined as the collective programming of the mind (Hofstede, 1980) which consists of assumptions, values, beliefs, and practices manifested in societies and organisations (Konig, Steinmetz, Frese, Rauch and Wang, 2010) and can be learnt and transmitted from generation to generation (Sinha and Kumar, 2004). For institutional economist North, culture provides the ‘artifactual structure’ including “beliefs, institutions, tools, instruments, and
technology” (North, 1990:37) to shape choices of players and to determine dynamic economic success or failures of societies through time.

In illustrating the interplay of different cultural elements, the Hofstede’s layered approach is commonly adopted by management researchers (Hofstede, 1980, 2007). Culture is analogous to an onion that can be peeled from layer to layer. At the inner layer are values and above them lies the visible manifestation of culture that is described as symbols, heroes, and rituals. According to Hofstede (2007), values are “broad tendencies to prefer certain state of affairs over others” (P.413) and they can be resilient against any external influence such as technology.

Entrepreneurship has been becoming the buzzword in developed and emerging economies since the last two decades of the twentieth century. US President Obama has talked about his economic recovery programme and brought up the importance of entrepreneurship as a solution to rising unemployment rate and as a receipt for economic growth after the 2008 global financial turbulence (Kuratko, 2009). Even socialist leaders such as China’s late General Secretary Hu Jintao and Russia’s President Vladimir Putin have emphasised the role of the state in creating necessary conditions for the development of entrepreneurship (BBC, 2005a; 2005b).

Hisrich, Peters and Shepherd (2006) have defined entrepreneurship as “the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence” (P.10). The Austrian economist Schumpeter has portrayed entrepreneurs as someone who possess innovation, risk-taking, independence of
action, and resource allocation management skills to implement new combination of business (McCraw, 2007). Since entrepreneurship is imperative to national economic development in developed and emerging economies, the Global Entrepreneurship Monitor (GEM) (2010, 2013), a leading research consortium in entrepreneurship and economic development, has examined three key components of entrepreneurship: attitudes, values, and aspirations, in 54 countries.

Researchers have attempted to explain why there are differences in levels of entrepreneurial activity and practices across countries. The link between cultural values and level of entrepreneurial activity has been emphasised by the cultural theorists. Max Weber (2007 <1930>) is one of the leading figures in examining the relationship between culture and entrepreneurship. According to him, the fundamental religious ideas and maxims of ascetic Protestantism has profoundly influenced economic conduct of people. Major ideas and maxims of ascetic Protestantism that spur the spirit of capitalism in modern Europe embody frugal consumption, hard work, self-discipline, and impulse of acquisition (P.115).

Following the Weberian premise that there is a causal link between culture and levels of entrepreneurial activity, there is a substantial discussion by researchers about how cultural values impede or facilitate firm formation or business ownership and innovation rate in developed and emerging economies.

Since cultural values have been viewed to bear a profound impact on all facets of entrepreneurial activity, several studies have stressed the direct relationship between cultural dimensions and entrepreneurship across different nations, including Schwartz's 'Big Five' personality attributes, GLOBE's nine global cultural competencies, Trompenaars' model of national cultural differences, and Kluckhohn and Strodteck's six values orientation (Thomas, 2008, Thornton,
However, much of the theoretical and empirical research on cultural values and entrepreneurial activity has followed Hofstede's four quantifiable cultural dimensions.

The four cultural dimensions include collectivism versus individualism, small versus large power distance, strong versus weak uncertainty avoidance and femininity versus masculinity. According to Hofstede, societies that value individualism place great emphasis on freedom, autonomy, individual self-achievement and respect, and personal interest. Cultures that are high in masculinity place much emphasis on success, assertiveness, and materialism but do not show particular concern on people relationship and care for others. Moreover, people living in high uncertainty avoidance societies tend to provide favour certainty and predictability whereas questioning and non-conformance are expected and risk-taking is encouraged in societies that are low in uncertainty avoidance. In high power-distance cultures, powerful distribution is not equal and organisations are more hierarchical.

In terms of levels of entrepreneurial activity, different cultural variables can play a significant role in explaining differences in firm formation or business ownership rate and innovation. Russell’s (2004) study of entrepreneurial progress in Latin America’s LDCs (less-developed countries) has demonstrated that cultural values such as collectivism, high power distance, and high uncertainty avoidance hinder new firm formation. Based on a large-scale survey (n=1800) of university students in nine countries, Mueller and Thomas (2002) have found that countries with high individualistic and low uncertainty avoidance culture are more conducive to higher rate of new venture formation. The empirical study of business ownership rates in 21 OECD-countries undertaken by Weenekers, Thurik, Van Vastel and
Noorderhaven (2007) has confirmed Russell’s hypothesis that in high uncertainty avoidance countries such as France and Japan, there is a decreasing trend in per capita income of business ownership rates whereas in low uncertainty avoidance countries such as Canada, Ireland and Switzerland, there is an upward trend in business ownership rates. Moreover, Shane’s (1993) study of trademark statistics in 33 countries and Couto and Vieira’s (2004) study of research and development activities of 222 multinational subsidiaries in five European countries have demonstrated that there is positive relationship between innovation measures and individualism with low uncertainty avoidance.

The literature under review has demonstrated that culture plays a pivotal role in determining levels of entrepreneurial activity across countries. However, the positive and negative relationships between different cultural variables and levels of entrepreneurial activity are contingent upon cultural tendencies of each country. For example, individualism and low uncertainty avoidance and power distance that can facilitate entrepreneurial activity in the US can produce opposite effects in other countries. In a study of new venture generation in Germany and Poland, Bouncken, Zagvozdina, Gloze and Mrozewska (2009) have employed Hofstede’s two cultural dimensions, power distance and individualism, to survey 450 MBA students and demonstrated that power distance has a negative impact on entrepreneurial motives of German respondents but it positively impacts on Polish respondents. Nakata and Sivakumar’s (1996) study of new product development in Taiwan and Japan and Hofstede and Hofstede’s (2005) study of innovation culture in Japan and Britain have also demonstrated that countries that emphasise collectivism and high uncertainty avoidance such as Japan and Taiwan can be better at innovation than countries with individualism and low uncertainty avoidance culture such as Britain. Therefore, the cookie-cutter assumption that
specific cultural values that can enhance levels of entrepreneurship in US can be applicable to other countries should be dismissed.

In terms of entrepreneurial practices, a group of researchers have also maintained that entrepreneurship is a culturally embedded phenomenon so that different cultural values can produce heterogeneous entrepreneurial practices across countries and it is hypothesised that culture can constrain or determine entrepreneurial practices. According to Russell (1997), each national culture produces entrepreneurial practices that are “unique to its particular history and values” (P.11).

There are two key research topics, networking and management, that researchers have focused on when studying different entrepreneurial practices across countries. Networking can affect entrepreneurial process from discovery of opportunities, acquisition and supply of resources, and legitimacy gaining (Elfring and Hulsinka, 2003). Tsang (2006) has undertaken a qualitative study of software firms in Ireland, US, and China. The research findings have demonstrated that Chinese entrepreneurs tend to be more collectivistic and their networks are characterised by depth and intense interpersonal relationships whereas Irish entrepreneurs are individualistic and their networks emphasise breadth instead of depth and relationships are more rational-based. Dodd and Patra (2002) have compared Greece with Japan and other Anglo-Saxon and Nordic Protestant countries in terms of entrepreneurial networking structure and duration of relationships. In countries with a high collectivistic culture such as Greece, they have maintained that Greek entrepreneurs have higher proportion of strong-tie contacts including kin and friends in their networks than entrepreneurs from Northern Irish. In countries with a high individualistic culture such as Canada, US, and Britain,
entrepreneurs maintain duration of relationships with their contacts shorter than entrepreneurs from Greece and Japan.

Moreover, Erez’s *Basic Principles of Organizational Behavior* (2000) has claimed that differences in cultural values reflect differences in management practices across countries. For example, the rule of equity in reward system is prevalent in countries with individualistic culture whereas the rule of equality to group members is common in countries with collectivistic culture such as China and South Korea. Based on a survey (n=450) of three European countries including Britain, Portugal, and Finland in quality management implementation, Mathews, Ueno, Kekale, Repka, Pereira and Silva (2001) have demonstrated that countries with small power distance tend to encourage individual initiative and responsibility and organisation tend to be decentralised whereas in countries with high power distance, organisations are more centralised and subordinates are expected to follow what to do. Another survey undertaken by Su, Baeza and Hong (2008) pertinent to total quality management (TQM) of multinationals from US (n=80), Mexico (n=62), and China (n=44) have also demonstrated that managers from high power distance culture are more inclined to follow rules and guidance from top management than managers from high individualistic culture. In terms of acquisition of start-up financing, Bauhn and Neupert (2003) has found that entrepreneurs in countries with culture characterised by individualism and low uncertainty avoidance depend on contract-based transaction approach to gain access to early financing. Entrepreneurs in collectivism and high uncertainty avoidance cultures rely on clan-based approach to accessing needed financial resources for their start-ups.

However, Bhaskarsan and Sukurmaran (2007) have argued that how culture
influences entrepreneurial practices can be a “complicate and contentious” issue because other endogenous and exogenous influences such as legal, economic, and regulatory forces can have different levels of impact on entrepreneurial practices. It is imperative for researchers not to stereotype entrepreneurial practices within a single culture unilaterally based on the ethnical or national background of entrepreneurs. Faure and Fang (2008) and Bird and Fang (2009) have also maintained that in the twentieth-first century, cultural ecology that is unique feature of national culture are being interwoven with values, beliefs, practices, and orientations that are non-idiosyncratic as a result of the influence of globalisation and the widespread of new technological developments. The change of entrepreneurial practices which is atypical of national culture can “get diffused more rapidly than might be expected”. (Gerhart, 2008:267) Therefore, further empirical research should be undertaken to understand enduring and changing features of entrepreneurial practices within and across cultures in order to untangle the interconnection between cultural influence and entrepreneurial practices.

2.2.2 Family and Entrepreneurship

According to Simpson and Weiner (2000), the term family derives from Latin *familia* which is referred to a group of persons consisting of the parents and their children, whether actually living together or not. It was meant by the ancient Greeks as “*eqilson pi iota delta tau iota omicron nu*” (something surrounding the cooking place). In France and Italy, the meaning of family is synonymous with fire (Akiko, 1996). In Japan, family (*uchi*) is referred to a family of parents and
children (Dolan and Worden, 1992). The US Census Bureau defines family as a household and one or more people living in the same household who are related by birth, marriage, or adoption (Tillman and Nam, 2008). Sociologist Furstenberg (2005) defines family as “membership related by blood, legal ties, adoption, and informal ties” (P.810). According to Stewart (2003), kinship is the “network of genealogical relationships and social ties modeled on the relations of genealogical parenthood and it also includes “marriage and affinity” (P.384).

Family is suggested to be a universal social phenomenon in human societies but its evolution in different countries is said to be determined by culture. Following this proposition, culture determines the ways family forms itself in terms of patterns, values, and activities. Furrow (1998) has maintained that the notions of family are ‘socially constructed’ (P.17) and religious beliefs can impact on family values and role identity of people in their families. He employs text-based analysis of the Old and New Testament in demonstrating the impact of religious beliefs on the ordering of paternity and fatherhood in western societies. The Luke and Hebrew scriptures illustrate the high priority of father in family and the role of father as a teacher and moral guide for the care and well-being of his children. Grouling (2006) has also maintained that family values in the US are influenced by biblical teaching that emphasise love and respects for parents as well as all family members. The emphasis on rugged individualism can allow children to disagree with their parents whereas in most non-western countries, such attitude is a sign of disrespect for elders.

In non-western societies, culture can also be a key determinant of family values, patterns, and activities. The form of family is more structured, hierarchical, and patriarchal in Asia. Takagi and Silverstein (2006) have found that
two-or-three-generation households in Japan represents the influence of traditional cultural values of filial obligation and primogeniture in which the eldest son is required to maintain livelihood of his older family members and the family as a whole. In the Muslim world, family is viewed as the social foundation that enables people to worship God and people are obliged more attentive to the needs of elders emphasised in the Quran text (Azadarmarki and Bahar, 2006). What distinguishes Islamic families from their Japanese and American counterparts is that multiple wives or polygamy is permissible in law. Slonim-Nevo and Al-Krenawai (2006) have found that traditional Muslim family is in extended type and they place great emphasis on kin networks.

Researchers who have supported the cultural constraint proposition has claimed that family is ingrained in the culture of the countries and it is assumed that each country has its own unique cultural values that influence forms, patterns, and orientations of families across countries. It is further presupposed that each of these cultural values is unique to the country and it is hard to change, despite other social and economic influences.

Basit (1997) has undertaken a qualitative study of Muslim families in the UK to demonstrate that the second-generation Muslims have grown up in nuclear families instead of traditional extended type but their relatives are still living within walking distances from their homes. The presence of quasi-joint families is said to be an extension of the traditional extended family structure when they live out of their home countries. Holmes-Eber (1997) has undertaken an ethnographic research of middle and working class women with children (n=36) in Tunisia and despite rapid pace of migration, industrialisation and urbanisation in Tunisia, women continue to maintain closer kin networks across families without forgoing
traditional family values in Arab Muslim world of “kinship solidarity, cooperation, and endogamy” (P.69). Deeds, Stewart, Bond and Westrick (1998) have investigated autonomy expectations of Asian and Western teenagers (n=226) from an international school in Hong Kong. Despite of the influence of western education, level of interdependence between Asian teenagers and their parents is found to be higher than western teenagers. Yang and Rosenblatt (2008) have also argued that low birth rate in South Korea where Confucianism are still predominant does not imply the decline of traditional cultural values by childless couples and it is due mainly to poor economic and other circumstances in South Korea context.

However, it has been argued that family has been evolving and undergoing a metamorphosis in western and non-western societies due to rapid pace of migration, industrialisation, urbanisation, and globalisation as well as the widespread of information technology in developed and developing economies. Increasing divorce and decreasing fertility rates, women’s demand for freedom and equal status, and issuance of new social and demographic policies with respect to childbearing can moderate the influence of traditional cultural values in families across countries. By studying change in family beliefs and attitudes of Muslim women in the United Arab Emirates, Schvaneveldt, Kerpelmean and Sschvaneveldt (2005) has found young women have strong preference for greater fertility control and nuclear family. Nie and Wyman (2005) have maintained that the fertility control policy of one-child family in mainland China have changed people’s attitude and belief that an extended family pattern with a great number of children is no longer desirable. Wang and Liu (2006) have found that the ‘three-person family’ (P.162) becomes the general family pattern in key cities in China and the irreducible role of childhood socialisation in family has been
eroded due to the ever-spreading influences of mass media.

According to Weberian and Marxist theories, family is out of the realm of ‘produktivkräfte’ (forces of production) and as a refuge from work (Yanagisako, 2002). Jones (2005) has suggested that family is socially constructed as ‘private domain of the home’ (P.277) so that it is relegated to a marginal role in capital accumulation and economic production. Therefore, family and entrepreneurship are seemed to be oxymoron and mutually exclusive. However, Gabby (1997) and Steier and Greenwood (2000) have maintained that entrepreneurial activity relies on mobilisation of three types of capital, namely financial, human, and social, that are consistent with strategic intent. Guided by the literature on family-embeddedness theory, the amalgamation of entrepreneurship and family is the source of the benefits family exacts on entrepreneurship (Danes, Stafford, Haynes, and Amarapurka, 2009). According to Aldrich and Cliff (2003), family is the most important social institution for founding entrepreneurs in constructing a business base of the following three key capitals.

2.2.2.1 Financial Capital

In terms of financial capital, Mininiti, Bygrave and Autio (2006) have categorised family members as informal investors to provide equity financing for nascent entrepreneurs. According to them, informal investors including business founders, family, friends and strangers (‘business angels’) provide much more investment (86.6%) in new start-ups in 30 GEM countries (P.52). Amongst informal investors, Bygrave and Hunt (2005) have found that except business founders, immediate family members and their relatives (58.8%) become the key source to other seed
capital than friends and neighbours (26.4%) and strangers (6.9%). Financial capital provided by family can be very important to nascent entrepreneurs, particularly when no marketable product is present, business is not profitable, or the capital markets and lending institutions to procure seed or expansion capital have not been well developed.

Based on a qualitative study of six new start-ups in Lithuania, Dyer and Mortensen (2005) have found that family becomes the primary source of financial capital to nascent entrepreneurs because needed financial resources from the capital market are not available. Au and Kwan (2005) have surveyed 8,000 adults in Hong Kong and Shenzhen to demonstrate that the role of seed capital from family is significant when entrepreneurs “cannot afford the resources for developing a marketable product” (P.3).

2.2.2.2. Human Capital

In terms of human capital, it involves knowledge, skills, and values that are assets to individuals to “act in new ways” (Coleman, 1988: 100) over long period of time (Becker, 2007). Piazza-Georgia (2002) has claimed that human capital is as important as traditional capital such as physical and financial assets in the whole entrepreneurial process. Davidson and Honig (2003) and Sequeira and Rasheed (2006) have distinguished between formal and informal activities to accumulate human capital. Informal activities that are not initiated by public and corporate investment include education and training by parents for their children. Parents can function as a role model to embolden their children towards choosing entrepreneurship rather than other income-producing activities because parents
can influence children with values amenable to entrepreneurship such as autonomy, risk taking, and perseverance.

House’s (2000) study of black American entrepreneurs in Cleveland has demonstrated the importance of parents as business mentors that influence their sons in internalizing behavioural patterns and belief systems towards entrepreneurship. Fairlie and Robb (2004) have undertaken a quantitative study of nascent entrepreneurs and business owners in the US and the research findings have indicated a positive association between business background of father and son’s self-employment. Horide’s (2005) qualitative case study of the largest family business family in Japan, House of Mitsui, has revealed how the family head bequeaths unique entrepreneurial values and practices such as thrift and management centralisation that have led to the success of Mitsui business for more than two centuries. In an interview with Wharton Alumni Magazine, business founder of Comcast Corporation, the largest cable operator in the US, has mentioned how he teaches his teenage son to learn the nuts and bolts of the business by arranging him to “sit in on some of significant deals in the making, positioning him “at the back of the room” and instructing him to “quietly listen” (Bertrand and Schoar, 2006:77).

2.2.2.3. Social Capital

Rabb (2010) defines social capital as a form of invisible capital that consists of the set of networks people have to build substantive relationship. Bourdieu (1986) has claimed that good relationship in the network can invoke a sense of integration and commitment from network members that become an advantage to individuals
in immediate future. Coleman’s *Foundations of Social Theory* (1998) defines social capital as “a social structure that facilitates certain action of individuals within the structure” (P.304). The social structure includes obligations, expectations, and trust relationships amongst individuals that can generate resources used by the individuals to realise their interests. Fukuyama (1996) distinguishes social capital into two types: family and community-based. According to him, family-based social capital is predominant in low-trust societies such as China and Italy and community-based social capital is common in high-trusted societies Germany and Japan. In countries with high collective culture, Azadarmaki and Bahar (2006) have maintained that family ties and kinship relationships can become a social capital that represents a collection of financial and social obligations and responsibilities.

The relationship between social capital of family and entrepreneurs is evident as demonstrated in some of the empirical research. Yanagisako (2002) has undertaken an ethnographic research of 38 silk firms in Como of Italy and the research findings have indicated the importance of reputation and business contacts accumulated by the fathers that become a social capital for their sons to start up and expand the business. By adopting a structural approach to studying how entrepreneurs in Italy, Norway, and Sweden, and the US to gain access to complementary resources and capture business opportunities during the early phase of their new business venturing, Greve and Salaff (2003) has found that a significant proportion of entrepreneurs, particularly in Norway and Italy, draw on their family members in establishing and operating the business. Moreover, Sequeira and Rasheed (2006) have also investigated the effect of social capital on immigrant entrepreneurship in Miami’s Little Havana and Boston’s Chinatown of the US and found that immigrant entrepreneurs benefit from network ties through
family members and their relatives to procure informal credit, low-cost labour, and market information in order to mitigate business risks and uncertainties when starting a new business.

2.2.3. Culture and Family Entrepreneurship

The literature under review has demonstrated that family entrepreneurship is an amalgamation of entrepreneurship and family. The next key question is whether differences in cultural values can lead to heterogeneous family entrepreneurial practices across countries.

Family entrepreneurial practices can be characterised via the adoption of a commonly-accepted three-circle model. Taigiuri and Davis (1996) have employed the three-circle model to describe three independent but overlapping subsystems of family business, namely family, ownership, and business. Family circle focuses on family values, relationship, and management transition and succession. Ownership circle is concerned with ownership structure and inheritance and business circle emphasises business development and performance, accountability, decision-making, and management styles.
In terms of role playing in a family firm, a family member can be an owner and manager (7), a manager (6), an owner (4), neither an owner nor a manager (1). According to Gersick, Davis, Hampton and Lansberg (1997) and Gersick, Lansberg, Desjardins and Dunn (2005), the roles played by different family members represent the moving of the three subsystems through different stages over time. For example, the change of role from (7) to (4) is a change of business axis from start-up to maturity or from controlling owner to cousin consortium in the ownership axis.
This model is a major theoretical contribution to the literature on family business research because it illustrates how family business is different with non-family business in terms of the role played by founding entrepreneurs and their family members in owning and managing the business and general characteristics of family business throughout different development phases. However, this theoretical model is Anglo-American based which fails to illuminate heterogeneous entrepreneurial practices of family business from same or different
generations across countries or ethnics. For example, family entrepreneurs in Japan place great emphasis on primogeniture in management and ownership succession which is heterogeneous to Diaspora Chinese family entrepreneurs who favour coparcenary (Wong, 1985; Chau, 1991) so that the life cycle of family business in Japan is less transitory than their Chinese counterparts. Moreover, Gupta, Levenburg, Lynda, Motwani and Schwarz (2009) have studied value orientation of family businesses in three clusters, including Anglo-America, Confucian-Asia, and Southern Asia, and found that family businesses in Anglo-American cluster of nations have weaker family orientation than their counterparts in Confucian Asian cluster.

The extant literature on the interconnection between cultures and heterogeneous entrepreneurial practices of family entrepreneurship across countries or ethnics is sparse. According to Sonfield and Lussier (2009), there is sparse prior research that can combine family business data in different countries. Yan and Sorenson (2006) have undertaken a conceptual study of cultural influence on succession in Anglo-American and Chinese family business. He argues that American and British family entrepreneurs are more individualistic and they fear the loss of financial security after ownership succession that result in the resistance to give up control. The traditional values of Confucianism emphasises the importance of family and collective interests so that there is “low level of resistance’ (P.242) to succession from Chinese family entrepreneurs. Gupta and Levenburg (2010) have adopted nine-cross cultural dimensions to demonstrate qualitative and quantitative cross-cultural variations in family businesses in developed and emerging economies. However, data used for the thematic analysis are secondary which cannot truly representative of family businesses across countries.
An exploratory study about cultural values and family business succession has been undertaken by Sharma and Rao (2000). They list out 30 successor attributes in Canadian and Indian family firms and the survey findings have demonstrated that integrity and commitment are considered most important attributes from both countries but Indian family firms rank significantly higher in family bloodline as the key attribute to successors and their Canadian counterparts consider professional skills and competence as important attributes to successors. They have claimed that differences in ranking of successor attributes from both countries lie in culture. Indian family entrepreneurs are used to pass on their business to their bloodline but their Canadian counterparts can base on the criterion of competence to pass on their business to someone who is outside their families.

Other researchers employ scales of values and attitudes to examine the impact of cultural values on family entrepreneurship across countries. Hofstede and Hofstede’s *Cultures and Organizations: Software of the Mind* (2005) has claimed that people living in countries with high index in collectivism have the tendency of the integration of people into large cohesive group whereas in countries with high individualistic culture, people tend to emphasise individual and their immediate family interests. Besides, Hofstede has developed the fifth cultural dimension, Confucianism dynamism or long-term orientation, which claims to have the most explanatory power of demystifying relative success of family entrepreneurship in East Asian economies (Hofstede, Frank and Bond, 1991).

Hofstede’s collectivism and power distance cultural dimensions are later adopted by Chakrabarty (2009) to examine considerable variation of ownership patterns of family firms across countries. Based on data of the largest firms in 25 countries,
he has found that large firms tend to have high percentage of family ownership in countries with high collectivistic culture. For example, all of the 20 largest firms in Mexico are under family control. In countries with high individualistic culture, the presence of families as controlling shareholders in the largest firms in UK is none.

In conclusion, culture consists of values, beliefs, and practices and there is a plethora of conceptual and empirical research on how different cultural values can produce heterogeneous entrepreneurial practices across countries. It is also suggested that national cultures can have a profound influence on patterns, values, and activities of families across countries. Traditional religious and philosophies such as Christianity, Islam, and Confucianism have generated their own sets of values with regard to family. Population across cultures is split into various familial traditions that are affiliated to corresponding religious and philosophical ideologies. The extant literature lends support to the claim that the implied relationship between culture and family entrepreneurship seems to be understandable. The influence of culture on family entrepreneurship can therefore be explicated.
2.3 Meso-Level

2.3.1 Confucianism and Chinese Entrepreneurship

Huntington’s *The Clash of Civilization* (1993) has classified mainland China, Hong Kong, Taiwan, Singapore and other Diaspora Chinese societies in Southeast Asia as Confucian region where they share common Confucian values that facilitate rapid economic growth. The Communist Party in mainland China has officially endorsed and promoted Confucianism via establishment of the Confucian Institute which is akin to France’s Alliance Francaise and Germany’s Goethe Institute (Lynton and De Bettignies, 2009; Bell and Waizer, 2010) since the 1990s. In 2003, Chinese Premier Wen Jiabao delivered a speech to 800 teaching staff and students at Harvard University and he praised Confucianism as the most important traditional culture to sustain and regulate families, the state, and society for 2,000 years (BBC, 2003). The late President Hu Jintao formulated the theory of “Three Harmonies” (‘helping’, ‘hejie’, ‘hexie’) and some key Confucian terms were incorporated into the ideological discourse (Sole-Farras, 2008). Moreover, the aphorisms of Confucius’ *The Analects* were highlighted at the opening ceremony of the 2008 Olympics Games in Beijing (Leibold, 2010).

Confucianism is considered an important source of traditional cultural values in Diaspora and mainland Chinese societies. It is an ethical philosophy (Liu, 2009) that focuses on ‘real-time lifestyles’ (De Mente, 2009: 76). Basically the tenets of Confucianism basically embrace five cardinal relationships (wu lun) and five key dimensions of human behaviour. The five cardinal relationships are father and son, ruler and ruled, husband and wife, elders and juniors, and friends and friends (Yang, Peng and Lee, 2008) and the five key dimensions of human behaviour include ‘propriety’ (li), ‘humanness’ or benevolence’ (ren), ‘trustworthiness’ (xin),
‘righteousness’ (yi), and ‘wisdom’ (zhi) (Child and Warner, 2003).

The five cardinal relationships and human behaviours are based on “mutual and complementary obligations” (Hofstede and Bond, 1988:8). People are unequal in social status and different people occupy different positions and connect with others in the social hierarchy in terms of seniority, age, and sex (Hwang, 2008).

For example, a father should exercise care and offer guidance to his son and the son should pay respect and obedience to his father. (Sing, 2008). A father is the figurehead of the family in which a wife should be submissive and give her husband unquestionable loyalty and devotion. In a typical Chinese family, father assumes the headship role of the family and he can make every decision for all of
the family members including marriage arrangement and other economic activities (Ho, 1996; Slote, 1998). The role of a son is to assume the moral imperative of ‘filial piety’ (xiào) towards his father because his body exists solely because of them. According to Dawson (2009), filial piety requires Chinese children to support and honour their parents and it can be extended to all family members in different generations when paying due respect to their ancestors.

Between husband and wife, a wife should be submissive to her husband because her husband assumes the obligations of material support and protection of the family (Redding, 1990; Whyte, 1996; Chen, 2001; Jiang, 2009). Submission or obedience is especially the virtue of a wife in Confucianism (Jiang, 2009: 233). It is stated in Li Chi that “Woman is the obedient; to her father in her youth, to her husband in her marriage, to her son in her widowhood” (Man, 1998:24).

The relationship of friends is based on mutual trust and cooperation and they should stay together to maintain harmony (Rarick, 2007). With other virtues such as diligence, frugality, moderation, patience, perseverance, and continuous learning that one strives to possess and accomplish, an individual can pursue a meaningful life and become a ‘nobleman’ or ‘gentleman’ (‘junzi’).

Hwang (1999) has posited that Confucianism views all members in the family as a human body. The up-and-down relationship between head and feet refers to the superior and inferior positions of father and sons, husband and wives, elders and juniors. Therefore, it establishes the notion of yang/superior/male and yin/inferior/female, so the position between husband and wife and juniors and elders is spelt out.
Given that culture can determine levels of entrepreneurial activity and practices across countries, a group of researchers have investigated two key research subjects since the 1980s. The first one is about the relationship between traditional Chinese culture and economic growth and the second one is how Chinese traditional cultural values can influence entrepreneurial practices in Diaspora and mainland Chinese societies. Supporters of the culturist perspective have substantiated the claim that key tenets of Confucianism has become the most important cultural source behind the emergence of high economic growth and prevalence of family entrepreneurship in Diaspora and mainland Chinese societies.

Harvard historian Reischauer (1974) is the first western researcher to unfold economic success of Diaspora Chinese in Taiwan, Hong Kong, Singapore, and South East Asia. Kahn (1979) and MacFarquhar (1980) have linked Confucian values to higher growth of economic productivity in Confucianism-led countries in East and South-East Asia. According to them, researchers should take a fresh approach to viewing Confucianism which places great emphasis on family solidarity, industriousness, thriftiness, group cohesion, and hard work that have become an important cultural legacy for economic modernisation in Diaspora Chinese societies.

The culturist perspective to establish relationship between traditional Confucian values and economic performance in Diaspora Chinese societies has been further supported by other sociologists and historians such as Yu (1987) and Berger (1988). Berger has claimed that Confucianism is one of the key causes of economic modernisation in East Asia. The so-called ‘vulgar Confucianism’ has the functional equivalents of the Protestant ethic in which traditional cultural
values have contributed to amazing economic achievement in moving Diaspora Chinese societies from rags to riches. Such cultural values include “a positive attitude to the affairs of this world, a sustained lifestyle of discipline and self-cultivation, respect for authority, frugality, and overriding concern for stable family life” (Pp.7-8) which have become positive forces to strong work ethic. To him, Diaspora Chinese exist in societies and that this context, with its baggage of Confucian values, affects their economic behaviour.

Based on thorough historical study of Confucianism and commercial activities from Tang dynasty to Ming and Qing period (16th century), Yu’s Religious Ethics and Merchant’s Spirit in Contemporary China (1987) has refuted the Weberian premise that Confucianism is a hindrance to entrepreneurial capitalism in imperial China and argued that during the Song and Ming period, prominent neo-Confucian scholars including Chu Hi, Fan Chung Yen, and Wang Yangming have incorporated Taoism and Buddhism into Confucianism and contributed to the affirmation of secular and worldly values. (P.141). Key tenets and values of Neo-Confucianism penetrated into different layers of the society in Ming and Qing period and merchant class was deserved the same social status as gentry-scholar-officials (P.104). Yu has also remarked that during the Ming and Qing period, a successful merchant was characterised as a man of Confucian virtue who possessed modesty, thriftiness, hard work, and material possession.

Redding and Hicks (1983) have investigated entrepreneurial development in Diaspora Chinese societies and claimed that such a perfect correlation between Chinese heritage and economic success could hardly be due to chance. Redding (1990) have further claimed that Confucianism is a precondition for economic growth and for the “legitimizing and encouraging of entrepreneurship” (P.71) Key
cultural values that influence entrepreneurship in Diaspora Chinese societies include hard work, thriftiness, money-mindedness, familism, and pragmatism. Chen’s *The Economics and Neo-Economics of Asia’s Four Little Dragons* (1988) and Vogel’s *The Four Little Dragons: The Spread of Industrialization in East Asia* (1991) have also posited that economic transformation of the four little dragons from squalor into industrialisation and prosperity can be attributed to cultural values that are rooted in the traditional Confucian tradition.

As key proponents of the influence of national culture on different aspects of human life, Hofstede and Bond (1988) have undertaken an empirical research into the correlation between traditional Confucian values and staggering economic growth of countries in East Asia. The ‘Chinese Value Survey’ (CVS) is an important research instrument related to Confucian values. It consists of 40-item questionnaire with key Confucian values such as filial piety, ordering relationship, thrift, and sense of shame on the left hand side of the so-called ‘Confucian Dynamism or ‘long-term orientation’ cultural dimension and personal stability, face, respect for tradition, reciprocation of greetings and favours on the right (1988:17). According to him, Cultural values in East Asia entrepreneurship is a logical combination of both sides in the Confucian Dynamism dimension.

The captioned survey findings have demonstrated a positive influence of Confucian Dynamism on economic growth in Japan, Korea, Hong Kong, and Singapore where the latter two are Diaspora Chinese societies and Confucian culture is very predominant in the former two countries that can prove the role of traditional Chinese culture in the development of entrepreneurship and provide cogent explanation of the economic success of countries in Diaspora Chinese societies. Moreover, cultural values inherent in Confucian dynamism such as the
Valuing of perseverance and thrift were found to boost economic performance and levels of entrepreneurial activity in mainland China. According to them, Confucian dynamism tendency ranking follows the order of mainland China (=118), Hong Kong (=96), and Taiwan (=87) and the influence of Confucianism are the most prevalent in mainland China as compared with other Diaspora Chinese societies.

Following the proposition that Confucian values have influenced the emergence and development of entrepreneurship in Diaspora Chinese societies, Whyte (1995, 1996) has maintained that key Confucian family values such as kin group loyalty and the importance of family interests to individuals are the social roots of high economic growth in mainland China.

Redding and Witt (2010) have suggested that entrepreneurship in mainland China is shaped by traditional Confucian values. Their three-layer approach, namely culture, institutions, and business system, to studying the development of entrepreneurial capitalism in mainland China has maintained that the business system is deeply embedded in the fabric of institutions and institutions are in turn shaped by culture. The influx of investments and managerial talents from Diaspora Chinese societies has fuelled the emergence and development of entrepreneurship in the private sector since the 1980s. The crux of cultural values in mainland China, moreover, is influenced by Confucianism, although the Communist Party have launched massive social and political anti-Confucian campaigns between 1949 and 1976. The role of Confucianism in driving Chinese entrepreneurship is therefore significant and its significance can be demonstrated through the increased number of privately-owned business via family ownership. Personal values of mainland Chinese entrepreneurs have been studied by Pisturi,
Huang, Zhao and Welsh (2006). They have surveyed 100 entrepreneurs to demonstrate how Confucian values influences novice entrepreneurs to start up their business in Wuhan city of central China. Data analysis from 222 Entrepreneurial Profile Questionnaires (EPQs) has demonstrated that desire for higher earnings (mean=3.89) and family security (mean=3.47) appear as key motivating forces for them to start up their businesses. Besides, respondents have also demonstrated strong tendency towards continuous learning, and personal accomplishment that are consistent with the key components of Confucian values. Schlevogot’s (2002) study of 125 entrepreneurs in Beijing and Shanghai further validates the work of Pisturi, Huang, Oksoy, Zhao and Welsh, who both claim that cultural values rooted in traditional Confucian values are fundamental to the entrepreneurial development that are conducive to new job creation and new firm creation in mainland China. Factors in the macroeconomic environment including political and social environments are still constraining and hostile to fuel entrepreneurial development. The emphasis on family interest, hard work, and strong degree of loyalty in family members helps family entrepreneurship to grow like “cactuses in the desert with little outside water” (P.92).

Moreover, Green and Mendis’ (2008) have examined the influence of varying cultural dispositions in two major emerging countries, Hinduism in India and Confucianism in mainland China. They have maintained that the influence of traditional Confucian values, particularly familism, thrift, hard work, respect for learning, and loyalty that make up “the pilings of the bridge” (P.444) to enable economic leap in mainland China. According to them, the heavy-handed state policies enacted by the Chinese government to transform human capital into economic growth cannot be effective if people lack benign socially-innate behaviours shaped by traditional cultural values.
2.3.2. Entrepreneurial Familism

Key tenets of Confucianism are basically “humanistic, obligation-based, and collectivistic in nature” (Ip, 2009:464) and family is viewed as the most important social and inseparable unit (Chen, 2001; Rarick, 2007). Confucianism provides a means for individuals to develop themselves from the “individual, family, society, to universe” as a whole (Taylor and Arbuckle, 1995:351). In the Analects of Confucius, the profound individuals are those “who desire to order well the state, they first regulate their families” (Sing, 2008:47).

Due to the influence of the traditional Confucian values, family business has been becoming the paradigmatic organizational form in Diaspora and mainland Chinese societies. Hofstede and Hofstede’s Cultures and Organizations: Software of the Mind (2005) has claimed that people living in countries with high index in collectivism have the tendency of the integration of people into cohesive group, be that is family, extended family, or extended relationships. People living in high collectivistic culture tend to have a clear distinction between ‘in-group’ (i.e. family) and ‘out-group’. He has also adopted Steven’s ‘Four Implicit Models of Organizations’ model to elucidate that an ideal organisation form in Hong Kong, as an exponent of Confucian culture with high power distance and low uncertainty avoidance, is ‘family’ (1994:7). Chen (2001) has suggested that in Confucianism, family is the center of the society and family business represents the contemporary extension of cultural tradition that has always promoted the family as the fundamental organising and working units of society in the Chinese world.

Lee and Li (2009) has found that family entrepreneurship make up a significant contribution in terms of GDP in Thailand, the Philippines, Malaysia, Hong Kong,
and Taiwan. Market capitalisation of the top ten family businesses accounts for 50% of the total GDP in the Philippines and Indonesia and market capitalisation of the top ten family businesses in Thailand and Hong Kong dominates 26% of the total. Poon (2005) has found that all property-cum utility/public services conglomerates in Hong Kong are controlled by dominant family businesses such as Cheung Kong Holdings, Sun Hung Kai Properties, New World Development, and Wharf/Wheelock Group. Redding (1990) has justified the significance of economic power of family business in Diaspora Chinese societies by demonstrating that with a population of 1 billion, the GNP of China was US$300 billion but with a population of 40 million, the GDP in Diaspora Chinese societies was US$200 billion. Cheung (2004) has termed Diaspora Chinese societies as a borderless ‘virtual nation’ in the age of globalisation. Their significant role in the global economy can be characterised in terms of GDP contributions in economy in Southeast Asia and colossal amount of foreign direct investment in mainland China. Even after the Asian financial crisis in 1997, family business is still ubiquitous in Diaspora Chinese societies. Wong (1985) has maintained that the prevalence of family business is not a ‘transient’ economic phenomenon and they can continue to survive and prosper and play a fundamental role in the Chinese business world. Tan (2004) has also posited that familism plays a crucial part for Diaspora Chinese business in attaining entrepreneurial success.

In mainland China, the number of privately-owned firms and their contribution to national economy can be proper indictors of the prevalence of family entrepreneurship (Ambler, Witzel and Chao, 2009). During the 1990s, the number of privately-owned firms grew by 35% per annum. As of 2005, nationwide small and medium sized firms accounts for 75 percent of new job creation. The number of privately-owned firms was increased from 1.76 million in 2000 to 4.98 million
in 2006 with a total registered capital of RMB7,602.9 billion (Nie, Xin and Zhang, 2009). The number of persons employed by privately-owned firms reached 207 million and they were responsible for 65 percent of the industrial output value in 2005 (McGregor, 2005) and one-third of the GDP in 2006 (Tsai, 2007). Although there is a paucity of industrial statistics on family business in China (Wang, Pei, and Liu, 2009), empirical studies undertaken by Malik (1997), Wang, Zhang and Goodfellow (1999), Pisturi, Huang, Oksoy, Zhao and Welsh (2001), Chen (2001), Poutziouris, Wang and Chan, (2002), Schlevogot (1999, 2002), Zheng, Wong, and Sun (2004), Tsai (2007), and Nie, Xin, and Zhang (2009) have demonstrated that family firm is the commonest organizational form in the private economic sector. Redding and Witt (2010) have also prognostised that family business can be considered the lynchpin of Chinese entrepreneurship and played an important role in the development of the capitalist economy in mainland China in the twentieth-first century.
2.4. Micro-Level

2.4.1 Entrepreneurial Practices – Family Axis

Family axis encompasses issues relating to family values, relationship, and management succession practices of Chinese family entrepreneurs.

2.4.1.1 Family First Principle and Obligations to Family Members

In Confucianism, family includes not only immediate direct family members but also members from the extended families. Each family member should assume overwhelming obligations and unquestionable loyalty to the family which takes precedence over any personal and other interests (Whyte, 1996; Kwan, Lau and Au, 2012).

In a typical family business, Chen (2001) has maintained that each family member takes full responsibility of their family interests (P.4) instead of maximisation of shareholder value of external investors. Harell (1985) has maintained that the Confucian ethics of familism urges all family members to invest their resources for the betterment of family business (P.216). Whyte (1996) has reviewed the positive and negative effects of family obligations and loyalty towards family business. On the positive side, loyalty to the family can motivate family members to learn diligently, work hard, save money, and inhibit other disruptive behaviours (P.10). On the negative side, the high premium placed on family loyalty and obligations can lead competent family members not to discipline other family members who are indolent or unqualified.
2.4.1.2 Harmonious family relationships

Family harmony is greatly emphasised in the Chinese world. Confucianism views harmony as the essence of the family existence. In the *Doctrine of the Means*, harmony is said to be enduring if there is concord among family members. In harmony with family members, a man can enjoy “the delights of wife and children” and parents can “find perfect contentment” (Dawson, 2009:139).

Hofstede and Hofstede (2005) have suggested that in a typical Chinese family, children do not expect “immediate gratification of their desires” (P.214) and are required to learn humility because parents do not tolerate self-assertion and conflicts. The five cardinal relationships and five corresponding Confucian virtues, including loyalty, filial piety, faithfulness, care, and sincerity are suggested by Lee (1996) as key values to maintain family harmony. Based on two surveys involving 242 and 245 Diaspora Chinese families in Taiwan, psychologist Chuang (2005) has compared Confucian concept of harmony to Fiske’s psychological model of communal sharing (CS) in which harmony rests on the principles of benevolence and righteousness that correspond to CS with great emphasis on “a relation of unity, undifferentiated collective identity, and kindness” (P.274).

In additional to loyalty and obligations to the family, family members are taught to restrain their personal interests in order to maintain harmony with each other. Harmony is based on a sort of reciprocal relationship include “affection, respect, duty, and obedience” (Yan and Sorenson, 2004:9) between senior and junior family members. Differences in age, status, and gender amongst family members can influence the ways how family members maintain family harmony. According to Yan and Sorenson (2004), family members who are female and junior adopt
avoiding, compromising, or accommodating strategies so that senior family members can be more competitive in handing family conflicts.

2.4.1.3 Patriarchalism and Patrilinealism

Chinese family entrepreneurs are used to be heads of their families so that they represent the core power of the family and business. Having been on an upward trajectory from rags to riches, the stereotype of Chinese entrepreneurs is casted as penniless immigrants who possess perserverance, hard-working, thriftiness (Wah, 2001:80), pragmatism, filial piety, and autocratic with full control of all the resources (Chung and Yuen, 2003:650). They strive ceaselessly to expand the family’s wealth, glorify their ancestors, work diligently, and live frugally for the family.

As the ‘patriarch’ of the family and head of the family business, all family members should be submissive to the founding entrepreneur. Greenhalgh (1994) has undertaken in-depth interviews of 25 family entrepreneurs in Taiwan to demonstrate that founding entrepreneurs have absolute parental power of deciding on their “children’s education, career, spouse, and postmarital residence” in families and being as a “chief property owner, chief breadwinner, and chief boss” in their family businesses (P.758). Division of work in a typical family business represents the androcentric assumption of patriarchal familism which views male as the most important factor in family business. Founding entrepreneurs arrange their sons to be responsible for key business activities and wife and daughters are providing backup service such as bookkeeping and human resource management to the family business (Whyte, 1996).
The patrilineal family culture can be represented in two manifestations, namely gender preference in reproduction and family asset inheritance arrangement. Sons are more important in preference to daughters in reproduction decision making because sons can legitimately perpetuate the male descent line. Daughters who married out of their natal families are belonging to another descent line and their names cannot be recorded in their father genealogy (Man, 1998:26). This gender preference to sons is still common in Diaspora and mainland Chinese societies nowadays. Based on a multilevel analysis of families (n=3,001) in Taiwan, Yu and Su (2006) have found that firstborn sons have additional leverage than firstborn daughters for family resources. Parents treat first born son as future successor of paternal authority in families so that they try their best to educate them well whereas firstborn daughters are expected to shoulder family responsibilities like her mothers and their educational opportunities are constrained. Moreover, a longitudinal study (1999-2006) to analyse son preferences of families in Taiwan and Southeast China (Fujian, Zhejiang, and Shanghai) has also demonstrated that a majority of respondents (Taiwan = 70.58%; mainland China = 58.44%) have strong son preferences in the contemporary Chinese societies (Chu and Yu, 2010).

Management transition practice of Chinese entrepreneurs is suggested to be patrilineal and Chinese entrepreneurs are used to arrange their eldest sons to be legitimate heirs (Wong, 1985) of family business. Ng (2004) has examined management transition practice of Chinese family business in Hong Kong and suggests that fathers and sons occupy center stage in the discourse of family business management transitions. Based on case evidence of family business in Hong Kong, he has maintained that founding family entrepreneurs have overwhelming preference for arranging sons instead of daughters to be future
leaders of the family business and therefore, daughters are oriented to play an ancillary role while sons are trained to take over the leadership. Exemplary cases of this practice include sizable Diaspora Chinese family businesses such as Cheung Kong Holdings, New World Development, Hopewell Holdings, Sun Hung Kai Property, Li & Fung, and Garden Corporation in Hong Kong.

Moreover, Fan (2006) has investigated into management succession practices in public-listed family businesses in Hong Kong (n=50), Singapore (n=50), and Taiwan (n=150). The survey findings have demonstrated that a majority of respondents (Hong Kong =58%, Taiwan=61.8%) plan their sons to be key management successors.

Drawing upon in-depth interviews and secondary data source from newspapers, Liu and Bian (2005)’s multiple case study of 16 founding family entrepreneurs in mainland China has also revealed the prevalence of “father and son” management transition practice. Amongst 16 founding family entrepreneurs, there is only one who passed the baton to his brother.

Zhao and Chen (2010) have undertaken a longitudinal study of a sizeable and reputable manufacturer of high-end kitchen appliances in Zhejiang province of mainland China. They have interviewed all two-generation family members and other senior executives to demonstrate the management transition process from first to the second generation. The founding entrepreneurs decided to pick their son instead of daughter and son-in-law because his daughter was viewed not as part of the family after marriage due to the cultural tradition of patrilineal descent principle.
2.4.2. Entrepreneurial Practices - Ownership Axis

Ownership circle focuses on two key issues, including ownership structure and succession practice.

2.4.2.1. Concentration of Ownership

The Anglo-American model of widely-held business ownership structure is less significance in the Chinese world. Recent corporate governance research has demonstrated that closely-held business ownership structure is prevalent in Chinese family businesses in Diaspora (La Porta, Lopez-de-Silanes and Shleifer, 1999; Young, Peng, Ahlstrom, Burton and Jiang, 2008) and mainland Chinese (Yuan and Vinig, 2007) societies.

According to the culturist perspective, the model family business ownership structure is based on the familial metaphor in which family members are within the most trusted relationship circle (Chen, 2001, Redding, 1990; Whyte, 1996; Hofstede and Hofstede, 2005; Zhao and Chen, 2010) and therefore, family business ownership structure is highly concentrated in terms of high proportion of chief executive officer (CEO) duality, shares owned by family members and presence of family members as controlling directors on the board. Fig.2-4 demonstrates high proportion of shares owned by family members of public liability companies in Hong Kong (Lim, 2006).
<table>
<thead>
<tr>
<th>Single or family shareholding</th>
<th>Number of firms</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% to less than 10%</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>10% to less than 25%</td>
<td>46</td>
<td>8</td>
</tr>
<tr>
<td>25% to less than 35%</td>
<td>60</td>
<td>11</td>
</tr>
<tr>
<td>35% to less than 50%</td>
<td>134</td>
<td>24</td>
</tr>
<tr>
<td>50% or more</td>
<td>293</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>553</td>
<td>100</td>
</tr>
</tbody>
</table>

Fig 2-5 Shareholder Control in Hong Kong

Based on a survey of 24 non-listed manufacturing firms in Hong Kong, Chung and Yuen (2003) have also demonstrated that the typical board size is less than 6 people and 70% of the surveyed firms have ‘pure insiders’ (family members) on the board of directors. Even they list their family businesses in the stock market, most of them still have substantial shareholdings of more than 50% (Yeung and Soh, 2000:15). For small family business, the majority of ownership is also in the hands of first-generation family entrepreneurs and some are in the process of ownership succession to the second generation (Redding, 1990).

Yeung and Soh (2000) have demonstrated that business ownership structure of sizeable Diaspora Chinese family business is less transparent and more complicated than multinationals from the west. The typical three-tier structure comprises family holding firm at the top, the second tier holds the priced assets of the group, and the third tier owns the group’s public-listed firms. There is no separation of ownership and management in Chinese family business. More than
90% of public listed family businesses in Singapore have family members on the board of directors. Even they list their businesses in the stock market; most of them still have substantial shareholdings of more than 50%.

There is also parallel evidence for concentration of family business ownership in mainland China. Based on survey data collected by the Chinese Academy of Social Science on 179 privately-owned firms in mainland China, Lee and Li (2009) has demonstrated “absolute ratio share” (P.241) in which 85.1% of shares are owned by family entrepreneurs, family members, and their senior executives and founding entrepreneurs owns the largest ratio of shares (65.1%) on average. Moreover, Chen and Lu (2009) have randomly sampled 311 privately-owned firms in Zhejiang province of mainland China and the survey findings have also demonstrated high proportion of shares owned by family shareholders (81.47%) and the pervasive presence of CEO duality (63.8%)

2.4.2.2 Coparcenary and Patrilineal Principle of Ownership Succession

In family asset inheritance arrangement, family assets are divided equally amongst all the sons but married daughters are excluded from inheritance and unmarried daughters can only claim a certain sum for marriage expenses (Sing, 2008:53). This inheritance system is different from primogeniture system in the UK and Japan where firstborn sons can assume inheritance of all family assets. Equal division of family assets in inheritance is suggested by Yan and Sorenson (2006) that if those family members who have inherited family assets and can work and share family assets together, the family can be developed into a large clan (P.239).
Wong’s *The Chinese family firm: A Model* (1985) is a qualitative study of 32 cotton spinning mills in Hong Kong. He adopts a non-static approach to formulating a four-phase evolution model of family business ownership, namely emergence, centralisation, segmentation, and disintegration. During the emergent phase, family business ownership is in the form of partnership and it is in the centralised phase, ownership is controlled and managed by an extended family. According to him, Chinese family entrepreneurs emphasises “ownership and control of business assets by the family” (P.58). The father-entrepreneur acts as the trustee of family assets in which the cultural tradition of patrilinealism and coparcenary principle of ownership succession delegates the prerogative of sons to own family business assets. However, the coparcenary principle in ownership succession can led to sibling rivalry which results in family ownership disintegration.

Zheng (2009) has found that the coparcenary principle of inheritance to sons is maintained in Chaozhou Chinese family entrepreneurs in Hong Kong despite rapid pace of social modernity. Unlike Wong, Zheng has maintained that equal inheritance of family assets is compatible with modern society, which emphasises "fairness and justice" (P.15). It also creates a criterion for sibling competition and comparison and the family business can be more diversified as each son strives to excel over the others. He illustrates Li Shek-pang family as an example of diversification due to the benefit of equal distribution of family assets to sons. The first generation family entrepreneur focus on shipping and rice but after passing down to the fourth generation, the family business are high diversified, ranging from bank, stock exchange, food and beverage, and entertainment and all family members still have a joint controlling share in the local bank, Bank of East Asia, in Hong Kong.
2.4.3. Entrepreneurial Practices - Business Axis

2.4.3.1. Nepotism and non-Family Professional Managers

Nepotism refers to “preferential employment of one’s relatives”, (Fock, 2009) and it is not unusual to family business in western and eastern world. Daily and Dollinger (1993), Dyer (1994), Reid and Adams (2001), and Schulze, Lubatkin, and Dino (2003) have suggested that family business is often plagued by the needs to maintain “kith-and-kin involvement” (Cadbury, 2000) and dominate management control for multi-generations. Kellermanns & Eddleston (2004) have found that family members usually occupy key management positions regardless of their performance and professional qualifications. Since qualified family members for key management positions are sparse, less capable and qualified ones are employed. It becomes a deterrent to non-family employees for career development and growth.

According to Wong (1988), nepotism serves two key purposes in Chinese family business. First, founding family entrepreneurs can mobilise human capital at relatively lower cost during start-up phase. Second, the mobilisation of immediate family members and their relatives to occupy key management positions can be interpreted as a means to prevent dissipation of business assets to non-family members because non-family members are less trustful to them. Fukuyama (1996) has remarked that no matter how small or large, Chinese family business can survive by having “competent sons, daughters, spouses, and siblings to overseas different parts of a ramifying enterprise” (P.64).

There is ample empirical research on how Diaspora and mainland Chinese family
entrepreneurs favour their immediate family members and relatives to serve their family businesses. Tsang (2001) presents a single case study of a family business in Singapore with over 3,000 employees and operations in three Asian countries including mainland China. The founding family entrepreneur places his “family members, relatives, and former classmates” and “seldom recruit outsiders” in senior management positions (P.91). Redding’s (1990) in-depth interviewing of senior executives and entrepreneurs has also revealed prevalent nepotistic practice in family businesses which are small and medium in scale in Hong Kong.

Founding family entrepreneurs in mainland China are also used to employ family members to serve their businesses. Lin’s (2005) study of 17 sizeable family businesses (number of employees exceeds 650 on average) in Zhejiang province has demonstrated that key executive positions are occupied by founding family entrepreneurs and their children (54.3%), although founding family entrepreneurs do not preclude the hiring of professional managers (25%).

In a survey of 222 family entrepreneurs in Wuhan of the Central China, Pistrui, Huang, Welsh and Zhao (2006) have found that the majority of respondents have one (50.9%) and two or more (40%) immediate family members to work on a full-time basis. Family entrepreneurs perceive employment of family members as part of their obligations to provide financial security to their immediate family members and relatives.

### 2.4.3.2. Paternalistic leadership

Paternalism is leadership style that is rooted in Chinese familial tradition and is
widely practiced by Chinese family entrepreneurs to exercise vertical interactions within their organisations. According to Farh, Liang, Chou, and Cheng (2008) paternalistic leadership consists of three key components, including authoritarianism, benevolence, and morality and integrity. They also identify three key components of subordinate response to paternalistic leadership, including compliance and dependence, respect and identification, and indebtedness and obligations.

Fig 2-6 Paternalistic leadership

Following Farh, Liang, Chou and Cheng’s (2008) model of paternalistic
leadership and the thorough review of the extant literature, key salient features of paternalistic leadership can be further elaborated as follows:

**Authoritarianism**

Redding (1990) and Redding and Wong (2008) have suggested that decision-making power is under the whim of founding family entrepreneurs. Chen’s (1995) qualitative study of a sizeable garment manufacturer in Thailand has demonstrated the affiliation and coercion power exercised by the founding family entrepreneur. Affiliation power is referred to how the founding family entrepreneur takes care of her employees (tender on persons) and coercion power is concerned with how she can control the business (tough on work). In terms of coercion power, the founding family entrepreneur can manage the firm operations, set all policies, and dominate the whole decision making process as she wishes. Owning to her distrust towards non-family members, delegation of authority to employees is rare. The supervisors are delegated production management responsibilities but they have no power to make decision.

Bond and Hwang (2008) have also remarked that family entrepreneurs have clearly and unequivocally predominant power over information sharing. Distrust of outsider sentiments separate family from non-family members within their organisations in information sharing. Family entrepreneurs rig and hold all important corporate information and only share information with their employees in dribs and drabs.
Morality and Integrity

Confucianism celebrates a leader who can be esteemed by others if he can create standard of excellence and become a role model for others to follow. It points to the significance of the leader to uphold high personal moral standards and integrity in order to build his referent and expert power. This leadership attribute is analogous to what management theorists have termed as transformational leadership in the western world (Bass and Riggio, 2006; Burns, 2010).

Cheung and Chan (2005) have undertaken in-depth interviewing with five chief executive officers from sizeable firms in Hong Kong. They uphold high ethical character in management practice such as benevolence, harmony, thrift, humility, trust, learning, and righteousness that highly matches the moral aspect of the ideal paternalistic leadership type. Moreover, data were collected by a field survey on 500 employees in a family-owned manufacturing plant from Taiwan to demonstrate that moral leadership is more effective than benevolence and authoritarianism (“stick and carrot” approach) in terms of job involvement, organisational identification, and group cohesion of the employees (Chu and Yang, 2010).

Benevolence

Benevolence is analogous to grace bestowing and can be referred to the way a family entrepreneur should exercise his reward power to his employees. Farh, Liang, Chou, and Cheng (2008) have maintained that benevolence emphasises “mutuality” and “reciprocity” in which family entrepreneurs are obliged to take care and protect their employees so that employees can pay indebtedness, respect,
personal loyalty, and obedience to them.

Wah (2001) has spent ten years to investigate benevolent leadership of founding family entrepreneurs in Singapore, Malaysia, and Indonesia and concluded that the Confucian value of benevolence places entrepreneurs as “guardian and providers of the subordinates’ welfare” (P.79) so that their employees can work hard and pay respect to them by demonstrating high level of trust and loyalty.

2.4.3.3. Guanxi

‘Guanxi (relation) networks’ is viewed by the culturist perspective as an important entrepreneurial practice of Chinese family entrepreneurs. Liu (2009) has posited that guanxi binds entrepreneurs into an extensive business web of personal connections. It connotes the meaning of drawing on personal connections which contains “mutual obligations, assurances, and understanding” and governs attitude towards “long-term social and business relationships” in exchanging favours. According to Haley, Haley and Tan (2009), trust is the key determinant of who can be induced into or barred from being a member of the guanxi networks and there are five different groupings of guanxi networks, namely clan, locality, dialect, guild, and trust (by experience).

There is a plethora of empirical research to justify the business values of guanxi networks for Chinese family entrepreneurs to “reduce uncertainty, lower transaction costs, and provide usable resources” (Pistrui, Huang, Welsh and Zhao, 2006: 464). The so-called ‘bamboo networks’ (Weidenbaum,1996, Tan, 2004) or ‘Chinese Commonwealth’ (Kao, 1993; Cheung, 2004) that embraces intricacies of
guanxi networks have facilitated founding family entrepreneurs in Diaspora Chinese societies to build and expand their businesses from village-oriented subsistence operations to international presence within and across countries. Weidenbaum (1996) have undertaken an exhaustive study of how giant Diaspora Chinese entrepreneurs such as Li Ka-Shing of Hong Kong, Ong-Beng-seng of Singapore, Y.C. Wang of Taiwan, Liem Sioe-liong of Indonesia, Kuok Hock-nien of Malaysia, and Henry Sy of the Philippines have built their transnational ‘bamboo networks’ by teaming up with each others in the forms of joint ventures. Chen (2001) has also found that Diaspora Chinese family entrepreneurs utilise their personal connections in the provinces they previously grew up in to expand their businesses in mainland China.

2.5. Summary

The three-level literature review has demonstrated inherent limitations of the extant published and unpublished studies.

On the macro-level, the extant literature under review has adopted diverse research approaches and methodologies to studying the influence of culture on family entrepreneurship. A plethora of the empirical research under review is quantitative and Hofstede’s four cultural dimensions is widely utilised as independent variables to uncover heterogeneity of entrepreneurial activity and practices across countries. Other studies tend to adopt qualitative research approach to calibrating homogeneous entrepreneurial practices of entrepreneurs within a single country or ethnic group. Both approaches view cultures within a
single country or ethnic group as fixed, monotonous, coherent, and stable over a long period of time. Following this proposition, they posit that entrepreneurial activity and practices are homogenous within a single culture. This culturist stereotyping might, however, draw little attention to possible diversity in entrepreneurial practices within a single culture in different temporal settings. A plethora of the recent management studies has already uncovered the fuzzy, changing, and paradoxical nature of cultures within a single country or ethnic group in different temporal settings (Vohra, 2004; Rarick, 2007; Fang, 2010). Further study germane to the influence of traditional culture on family entrepreneurship within a single country or ethnic group in different temporal settings is in need.

Moreover, this literature review has demonstrated that management scholars from the western world have employed different theories to study different aspects of family entrepreneurship but they seldom the extent of influence of culture on family entrepreneurship into account. For example, the three-circle model of family business and family embeddedness theory are widely-accepted theories to explicate resource mobilisation and entrepreneurial practices of family entrepreneurship in different development phases but they fail to tease out multifaceted attributes of family entrepreneurial practices in different cultural settings, particularly in non-western hemisphere. This literature review shows that these family entrepreneurship theories could be further expanded to allow for a cultural approach to investigating heterogeneity of family entrepreneurship across and within countries and ethnic groups.

On the meso-level, the literature under review posits causal links between traditional Confucian values and the surge of entrepreneurial familism in Diaspora
and Mainland Chinese societies. The culturist perspective is still valuable to emphasise the importance of ideas and beliefs that serves as key variables to the surge of entrepreneurial familism in the Chinese world. It treats entrepreneurial practices of Chinese family entrepreneurs as a culturally bounded phenomenon, despite a variety of business environment in which they own and manage their family businesses. This culturist perspective can serve as a powerful rejoinder both to modernisation and convergence theories in which Chinese family entrepreneurs would imitate best business practices from the western world.

However, the argument propounded by the culturist perspective that Chinese family entrepreneurs do not vary in their adherence to traditional Confucian values is controvertible. The influence of western culture, global competition, modernity are said to make a significant impact on how family entrepreneurs operate their businesses in Diaspora Chinese societies. This perspective has also failed to take into account of different economic and political changes that have influenced entrepreneurial practices of family entrepreneurs in Diaspora and mainland Chinese societies. For example, Cheung and King (2004) documents 41 family entrepreneurs from four Diaspora Chinese societies to suggest that traditional Confucian heritage have undergone significant value transformation. Kopnina (2005) undertakes in-depth interviews of 50 family firms in Singapore to demonstrate that traditional cultural values such as patrilineal, patrilocal, and patriarchal are viewed as archaic by most of family entrepreneurs.

Brown’s (2000) case study of two Chinese entrepreneurs from PT Astrra in Indonesia and Charoen Pokphand in Thailand has also demonstrated that the reliance on guanxi and networks by family entrepreneurs are a response to oligarchic political economy and the unwieldy institutional environment. In
mainland China, the government implemented and enforced the birth planning programme that are contrary to traditional pronatalistic culture, ruling that couples cannot have more than one child. According to the theory of family adaptive strategy (Croll, 2000), family size and composition can exert considerable influence on the creation of family entrepreneurship and its adaptive strategies in terms of human, social, and financial capital (Korinek, Chen, Alva and Entwisle, 2006). Therefore, an alternative explanation of entrepreneurial practices of family entrepreneurs in Diaspora and mainland Chinese societies other than sole adoption of the culturalist perspective is clearly in need.

On the micro-level, most of the extant literature under review focuses more on Diaspora Chinese family entrepreneurs and first-generation family entrepreneurs. Empirical studies on entrepreneurial practices of second-generation family entrepreneurs as well as homogeneity and heterogeneity of entrepreneurial practices of first- and second-generation family entrepreneurs in Diaspora and Mainland Chinese societies are sparse. In other words, there is a dearth of comparative research on Chinese entrepreneurs in different physical and temporary settings. Moreover, little scholarly effort has been paid on comprehensive investigation of entrepreneurial practices and most of the extant literature focuses more on a specific research topic (i.e. family management succession, intergenerational family ownership succession, leadership style, traditional family values, and guanxi building). There is a handful of scholarly research under review on comprehensive of three key aspects of entrepreneurial practices, and none that investigates entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and China in a comparative manner.
It is inconvertible to view that Chinese entrepreneurial familism is a living organism instead of a time-free fossil. Due to the moment of time with the influence of cultural and other non-cultural forces, some of the entrepreneurial practices are maintained and promoted whereas others might be dampened and withered away. Despite the proliferation of scholarly studies on Chinese family entrepreneurs, comparatively fewer of the studies have focused on second-generation family entrepreneurs as it applies to the cultural contexts in the Chinese world. To this extent, a gap in the extant literature has motivated the researcher to adopt a 'zooming in' or bottom up' approach (Kriz and Flint, 2002, Kriz, 2004) to investigating entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China in order advance our understanding of the development of entrepreneurial familism in the evolving contextual realities in the twentieth-first century.

By analysing findings and research gaps within the extant literature, a theoretical framework to guide this empirical study is noted in Fig 2-7.
The culturist perspective: Confucianism as traditional Chinese culture

Family as the fundamental organizing and working units of society

Five cardinal relationships
- father & son
- ruler & ruled
- husband & wife
- elders & juniors
- friends & friends

Five cardinal behaviours
- propriety
- benevolence
- trustworthiness
- righteousness
- wisdom

Entrepreneurial Familism

Family enzymes
- Family First
- Principle and Obligations to Family Members
- Harmonious Family Relationship
- Patrilineal & patriarchal management succession

Ownership Axis
- High concentration of ownership
- Coparcenary and Patrilineal principle of ownership succession
- Non-separation of ownership and management
- Lack of ownership succession planning

Business Axis
- Nepotism
- Distrust of non-family professional managers
- Paternalistic leadership
- Guanxi

Empirical study of ten second-generation family entrepreneurs in Hong Kong and mainland China

Figure 2-7 Theoretical Framework – The Culturist Perspective
Chapter 3
RESEARCH METHODOLOGY AND DESIGN

“Qualitative research can capture the contextual richness of people’s everyday lives” (Yin, 2011)

3.1 Introduction

According to Smith and Dainty (1991), a research is a systematic and careful inquiry that adds knowledge of a social phenomenon. This chapter outlines methodology and design followed in the research. It gives a detailed review of different research paradigms and descriptions of the philosophy of the researcher. Then the adoption of emic approach and alternative research methods are discussed before articulating the whole multiple case research design and implementation. The last part of this chapter addresses validity and reliability issues, limitations, and ethical consideration of the research.

3.2 Philosophy of the Researcher

Debate surges back and forth on the relative merits and demerits of quantitative and qualitative research paradigms. At stake are not simply philosophical antinomies germane to ontological and epistemological positions of the social phenomenon but also associated methodological issues of research.
Quantitative research is drawn from the ontological assumption that social phenomenon is external and objective in which its existence is independent of human perception. According to Sale, Lohfeld and Brazil (2002), quantitative research paradigm is based on positivism. It emphasises the detachment between researchers and researched subjects which means that researchers and researched are separable instead of interactively linked (Denzin and Lincoln, 2005; Cox and Hassard, 2005). In other words, the value of researcher does not influence the enquiry. Within a value-free and unbiased deductive reasoning framework, researchers can identify universal laws to predict and control events. Based on this paradigmatic assumption, quantitative research aligns with nomothetic research methodology based upon systematic protocol and technique. The particular ways of undertaking quantitative research include the use of differential statistical methods to test the research hypothesis by analysing numerical data (Cavana, Delahaye and Sekaran, 2001).

On the contrary, qualitative research rests upon the premises that the world is subjective and value-laden. The nature of interpretivism is nominalist, anti-positivist, voluntarist and ideographic which implies that reality is socially constructed rather than objectively determined and attempts to develop a purely objective research is viewed as specious (Hassard, 1991). The aim of interpretivism is to appreciate ‘the different constructions and meaning that people place upon their experience’ (Carson, Gilmore, Perry and Gronhaug, 2002:7). According to Elster (2007), interpretivism emphasises understanding (versthen) rather than explanation (erklaren) (P.52). Based on this paradigmatic assumption, there is a rich diversity of research methodologies that qualitative researchers hold and adopt, including ethnography, phenomenology, grounded theory, and case study (Meyers and Sylvester, 2006). Data gathering and analysis in qualitative
research rely on non-numerical data (Cassell, Symon, Buehring, and Johnson, 2006).

Despite their differences, both quantitative and qualitative researches are homogeneous in terms of involvement of systematic interplay between ideas and evidences again. Amoroso and Ragin (2010) have maintained that the selection of quantitative or qualitative depends very much on the research objective. According to them, quantitative research focuses on a smaller number of attributes across many cases whereas qualitative research focuses on a large number of attributes across relatively few cases.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Qualitative Research</th>
<th>Quantitative Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>to understand and interpret social interactions</td>
<td>to test hypotheses and examine cause and effect</td>
</tr>
<tr>
<td>Nature of reality</td>
<td>multiple realities and subjective</td>
<td>single reality and objective</td>
</tr>
<tr>
<td>Research paradigm</td>
<td>interpretivism</td>
<td>positivism</td>
</tr>
<tr>
<td>Methodology</td>
<td>exploratory or bottom-up such as grounded theory and ethnography research</td>
<td>confirmatory or top-down such as descriptive, correlational, quasi-experimental, and experimental research</td>
</tr>
<tr>
<td>Role of researcher</td>
<td>closeness of the relationship with researched subjects</td>
<td>detachment between researchers and researched subjects</td>
</tr>
<tr>
<td>Data collection type</td>
<td>Words, images, objects</td>
<td>hard and numerical</td>
</tr>
<tr>
<td>Data collection instrument</td>
<td>Interview, focus group discussion, participant observation, field notes</td>
<td>Questionnaire, tests, inventories, check list</td>
</tr>
<tr>
<td>Final report</td>
<td>narrative report with contextual description and quotations from researched subjects</td>
<td>Statistical report with statistical significance of findings</td>
</tr>
<tr>
<td>Results</td>
<td>Validity of findings</td>
<td>reliability and generalisability of findings</td>
</tr>
</tbody>
</table>

Source: Denzin and Lincoln (2011)

Fig 3-1 Quantitative versus Qualitative Research
This study is within the qualitative research paradigm. There are three key issues to justify for the philosophical stance of the researcher and the research methodology the researcher adopts for this study.

First, the philosopher stance of the researcher is that nothing happens in isolation and reality is socially constructed (Gumnesson, 2005). For example, an ice cream in a hot summer day is not the same as an ice cream in the dark winter night. A cigarette to a teenage gang in the Harlem District of New York might mean differently from a cigarette to a management professor from Harvard University. In this study, the researcher intends to uncover a holistic understanding of entrepreneurial practices of Chinese entrepreneurs by becoming full involved with second-generation entrepreneurs to understand how they think and react under ‘contextually-specified situations’ (Cavana, Delahaye and Sekaran, 2001).

Second, this study is an exploratory investigation of entrepreneurial practices of second-generation Chinese family entrepreneurs in Diaspora and mainland Chinese societies. The researcher has attempted to adopt a bottom-up or emic approach instead of top-down or etic approach to researching Chinese family entrepreneurs across two Chinese societies in order to uncover their enduring and changing entrepreneurial practices. The emic approach is more appropriate for the researcher to utilise qualitative techniques in generating ‘thick description’ of Chinese family entrepreneurship which involves ‘deep, dense, and detailed’ (Holloway and Wheeler, 2002:13) portrayal of the researched family entrepreneurs’ view and experience in owning and managing their family businesses.

Third, this study is not theory testing (deductive) but further theory development
and refinement (inductive). The literature review guides the researcher to advance the conceptual framework that becomes a guidepost for conducting the research and interpreting the findings (Burns and Grove, 2010). Unlike quantitative research that utilises numerical data to test different predetermined cultural hypotheses, the researcher has developed the conceptual framework which forms the background of subsequent inductive empirical research so that new insights can eventuate and emerge.

3.3. The Emic Approach

The adoption of emic approach to researching Chinese family entrepreneurs in across two Chinese societies is relatively new as compared with other quantitative and qualitative entrepreneurial studies (Engelen, Heinemann and Brettel, 2009). Most of the quantitative and qualitative studies have based on the starting assumption that entrepreneurs within a single culture can be viewed as a group and they demonstrate homogeneous entrepreneurial values and practices. Pragmatically this etic approach provides the most convenient way of generalising heterogeneity of entrepreneurial values and practices across cultures but it fails to unfold the diversity of entrepreneurial values and practices within a single culture. For example, entrepreneurial practices of second-generation family entrepreneurs might be heterogeneous with first-generation family entrepreneurs and second-generation family entrepreneurs in Diaspora Chinese societies can also be heterogeneous with their counterparts in mainland China.

According to Franklin (2009), etic and emic are two approaches which provide a stereoscopic window to view the same thing. Scholars have been used to equate etic and emic with nonverbal versus verbal, universal versus specific, and
within-culture versus between cultures studies of behaviour (Sinha, 2004). In general, the etic approach is broad and cross-cultural whereas the emic approach is mono-cultural, holistic, and provides in-depth understanding of thing that is particular within a single culture. In this study, the researcher has attempted to take an insider’s view of Chinese family entrepreneurship from attitudes and views of second-generation Chinese entrepreneur’s context.

Fig 3-2 illustrates the adoption of emic approach for the research and potential emic study of Chinese family entrepreneurial practices in other Diaspora Chinese and non-Chinese societies in the future. Throughout this emic study, the researcher can unfold salient features of Chinese entrepreneurial practices from second-generation Chinese entrepreneurs’ context which also provides an alternative way of improving the etic understanding of Chinese family entrepreneurship.
Since emic study of family entrepreneurship requires the researcher to take an insider’s stance to understand motives, views, and experience of the researched subjects in both Chinese societies, Kriz and Flint (2002) have maintained that the key to successful emic research is contingent on level of linguistic skills to communicate with the researched subjects. The researcher is a native Chinese, is fluent in Cantonese and Mandarin, and have more than 23-year work experience in Hong Kong and mainland China so that he has no linguistic and cultural barrier to attain a true emic essence of the research.
3.4. Alternative Research Methods

There are alternative research methods being considered for this qualitative research, including ethnography, phenomenology, grounded theory, and case study. The decision to use case studies as data collection and analysis method for this research is based on a thorough assessment of relative merits and demerits of alternative methods in qualitative research.

3.4.1 Ethnography

Ethnography is the study of the researched subjects in real-life situations which usually requires detailed observational evidence and long periods of time in the field (Yin, 2009). According to Johnstone (2007), ethnographic research is a research method to study how “situations, lives, and meanings are lived rather than just observing and reporting what occurs” (P.99) and therefore, researchers are motivated to develop empathy towards people they are studying. Data collection techniques in ethnographic research include participant observation, journal keeping, and interviews. The merit of ethnographic research are that researchers can understand first-hand and up-close how the researched subjects grapple with issues under study (Tucker, 2010). However, ethnographic research has its demerit of being more time-consuming (Brewer, 2000).

It is partially considered an optimal data collection and analysis method in this multiple-case study research due to pragmatic consideration as time and financial constraints of the researcher take precedence in undertaking the research. Moreover, this multiple-case study research has adopted a more linear and
structured approach to designing research from definition of the research problems, design of research instruments, data collection and analysis, conclusion drawing and result reporting in which the cyclical approach commonly adopted in ethnographic research is not applicable in this multiple-case study research (Johnstone, 2007).

3.4.2 Focus Group Interviewing

Focus group interviewing is common in qualitative marketing research which consists of the selection of a moderator as the lead researcher (Short, 2006) to direct eight to ten people for a ‘face-to-face’ discussion about a particular research topic (Edmunds, 1999). Focus group interviewing tends to generate group-level instead of individual-level data. What also distinguishes focus group from personal interviewing is that focus group interviewing can stimulate dynamic interchange between research participants in a particular issue under study, whereas personal interviewing is more effective in getting research participants to free express their views on personal and sensitive issues (Krueger and Casey, 2008).

The researcher prefers the adoption of personal interviewing to focus group interviewing. Those second-generation Chinese family entrepreneurs are less willing to present their views on how they own and/or manage their family businesses in a group setting because some of the research questions such as ownership distribution of their businesses are quite sensitive to discuss together. On the logistic side of focus group interviewing, the researcher has potential problem of grouping all 10 second-generation family entrepreneurs from Hong
Kong and mainland China together for focus group interviews. Moreover, the key objective of this research is to undertake in-depth investigation of their entrepreneurial practices and it is not possible to probe the answers in depth via focus group interviewing due to time constraint (Israel and Galindo-Gonzalez, 2008).

3.4.3 Action Research

Action research is "a cyclical inquiry process that involves diagnosing a problem situation, planning action steps, and implementing and evaluating outcomes” (Marsick and Gephart, 2003). What distinguishes action research from other qualitative research methods is that action research is a way of doing research and working on problem solving simultaneously which allows researchers to work together with research participants in studying specific issues with a view to improve or change them. In other words, the key value of action research contains investigation and utilisation of research findings.

This research is to understand entrepreneurial practices of second-generation Chinese family entrepreneurs and the researcher has no intention of proposing any suggestion and recommendation to second-generation Chinese family entrepreneurs with a view to improve or change their entrepreneurial practices for any specific objective.
3.4.4 Case Study

Case study is a very common data collection and analysis method in qualitative social science and business research when the research question involves ‘why’, ‘what’, and ‘how’, the researcher has little control over events, and the research focus is on a contemporary phenomenon with real-life context (Gummesson, 2003; Yin, 2009). Contemporary phenomenon can be referred to an individual, a group of individuals, an organisation, or a set of procedures (Onghena, 2005). Case study can be exploratory, descriptive, and explanatory.

The justifiable rationale for conducting an exploratory case study in this research is that core substance and form of research questions mainly focuses on ‘what’ and ‘how’ second-generation Chinese entrepreneurs undertake their family businesses in terms of family, ownership, and business in real-life context. Case study research benefits rich and thick comprehensive investigation of a particular real-life phenomenon instead of breadth (Stake, 2011) which is appropriate for the objectives of this research. Case study research method can also employ data from multiple sources such as personal interviewing, secondary documents, and direct observation.

3.5. Research Design and Implementation

While adopting case study as a research method, consideration should be given in terms of specific research design and implementation because the whole research process cannot be designed and implemented as a matter of ‘convenience or by accident’ (Blaike, 2010: 196).
3.5.1 Rationales for a Holistic and Multiple-Case Research Design

Yin (2009) has specified four types of research design in case study, including single-case holistic design, single-case embedded design, multiple-case holistic design, and multiple-case embedded design. Single case research typically consists of a case which is critical, extreme, unique, revelatory, or longitudinal, whereas multiple-case research is analogous to multiple experiments of different individual cases (n>1) for literal and theoretical replication purposes. De Weerd-Nederhof (2001) and Stavros and Westberg (2009) have considered multiple-case study more compelling and robust than single-case research that allows for exploration within and across the cases to help provide a broader view of the research topic under investigation, although it can require extensive resources and time.

Moreover, case study research design can be holistic or embedded. A holistic case study research focuses on one unit or object of analysis and is shaped by a qualitative approach that relies on narrative descriptions, whereas an embedded case study research involves more than one unit or object of analysis and the researcher can integrate qualitative and quantitative methods in data collection and analysis (Scholz and Tietje, 2002).

This research is intended to generate a more holistic understanding and context portrayal of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland Chinese societies. This case study research is multiple (n>1) because it involves data collection of five second-generation family entrepreneurs in Hong Kong and another five in mainland Chinese societies. This multiple case study approach can generate rich information and throughout
within- and across-case analysis, it can also reveal possible commonalities and diversity (Starros and Westberg, 2009) of entrepreneurial practices of second-generation Chinese entrepreneurs across both Chinese societies.

There is no precise guide to how many cases should be developed in a case study research. According to Gerring (2007), the more case studies a research has, the less intensively each case can be studied. The total number of case in this case study research is parallel with the number mentioned by Eisenhardt (1989) and Yin (2009) that any in-depth case study research more than ten does not work well to cope with richness and complexity of the data.

3.5.2 Sampling Method

Patton (2002) has identified 18 different sampling techniques that can be adopted for case study research, of which 2 are random sampling techniques and 16 are non-probability ones. The selection of researched subjects for this case study research is based on the use of non-probability sampling techniques which are common in qualitative research (Fletcher and Plakoyiannaki, 2010). Non-probability sampling techniques are used when the population elements are selected based on the judgment of the researcher.

Sampling techniques adopted in this case study research represent a combination of snowball and quota sampling techniques. The researcher identified researched subjects who were relevant to the study. Snowball sampling is a technique to identify the researched subjects for exploratory and qualitative research (Vogt, 2005). It is also a means of accessing impenetrable sampling populations such as
family entrepreneurs and senior business executives where high degree of trust is required to undertake in-depth interviews with them. In this case study research, the researched subjects are second-generation family entrepreneurs and through the chain of referrals within the researcher’s social networks, consisting of people in positions of relative authority and proximity to the researched subjects (Atkinson and Flint, 2005), the researcher was able to initiate contacts with second-generation family entrepreneurs in Hong Kong and mainland China. A dendrogram stated in Fig 3-3 depicts four key referral sources that were used to generate the total number of 10 second-generation family entrepreneurs in Hong Kong and mainland China for the entire study. The researcher was not rely solely on any single referral’s social networks in order to reduce the possibility of bias.
Fig-3-3 Four Chains of Referrals
In a similar vein, quota sampling technique was used in which second-generation Chinese family entrepreneurs were selected. The number of cases for second-generation Chinese family entrepreneurs in Hong Kong and mainland China was limited to five respectively. Hong Kong has been viewed by researchers as a Diaspora Chinese society because of British rule before 1997 (Tsang, 2007) and its business and local cultures are highly influenced by foreign cultures from the West. Recent literature on Chinese business research continues to distinguish Hong Kong from mainland China because of their differences in historical development and political and economic systems, although China has resumed political sovereignty of Hong Kong since 1997 (Surhone, Tennoe and Henssonow, 2010).

Moreover, researched subjects in mainland China included five second-generation family entrepreneurs in East and South China. China is a vast geographic boundary with different regions. There are two key reasons to identify second-generation Chinese family entrepreneurs in East and South China. First, East and South China are the cradle of private entrepreneurship in mainland China (Lee and Li, 2009). Second, the referral’s social networks in this research are constrained in these two regions in mainland China.

### 3.5.3 Selection of Research Participants

Family entrepreneurs may vary in terms of their personal backgrounds but their interests in pursuing business profits are homogeneous. The 10 second-generation Chinese family entrepreneurs selected for this case study research were required to have the following attributes:-
- Second-generation family entrepreneurs who owned and/or managed their family businesses founded by their first generation family member(s);

- Diaspora Chinese/mainland Chinese nationals with family business operations in Hong Kong and/or mainland China;

- Willingness to provide details on how they owned and/or managed their family businesses in terms of family, ownership, and businesses;
- Willingness to provide other secondary documents (i.e. company prospectus) and allowed the researcher to have site inspection of their businesses; and

- Willingness to allow the researcher to visit their companies and take photos as and when necessary.

Fig. 3-3 provides details on key characteristics of 10 research participants (second-generation Chinese family entrepreneurs) who participated in this case study research.
<table>
<thead>
<tr>
<th>Participant</th>
<th>Age</th>
<th>Gender</th>
<th>Position</th>
<th>FB type</th>
<th>Role in FB</th>
<th>Annual Sales turnover (mil in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK1</td>
<td>45</td>
<td>M</td>
<td>SVP &amp; Vice Chairman of the Board</td>
<td>WT</td>
<td>7</td>
<td>&gt;100</td>
</tr>
<tr>
<td>HK2</td>
<td>62</td>
<td>M</td>
<td>Group Managing Director</td>
<td>PB</td>
<td>7</td>
<td>&gt;100</td>
</tr>
<tr>
<td>HK3</td>
<td>56</td>
<td>F</td>
<td>Executive Director</td>
<td>PB</td>
<td>6</td>
<td>&gt;100</td>
</tr>
<tr>
<td>HK4</td>
<td>48</td>
<td>M</td>
<td>Non-Executive Director</td>
<td>PB</td>
<td>7</td>
<td>&gt;100</td>
</tr>
<tr>
<td>HK5</td>
<td>32</td>
<td>M</td>
<td>Vice Chairman</td>
<td>WT</td>
<td>6</td>
<td>50-100</td>
</tr>
<tr>
<td>MC1</td>
<td>37</td>
<td>M</td>
<td>Chairman</td>
<td>PB</td>
<td>7</td>
<td>50-100</td>
</tr>
<tr>
<td>MC2</td>
<td>28</td>
<td>M</td>
<td>General Manager</td>
<td>WT</td>
<td>6</td>
<td>&gt;100</td>
</tr>
<tr>
<td>MC3</td>
<td>42</td>
<td>M</td>
<td>General Manager</td>
<td>WT</td>
<td>6</td>
<td>50-100</td>
</tr>
<tr>
<td>MC4</td>
<td>34</td>
<td>M</td>
<td>Managing Director</td>
<td>WT</td>
<td>7</td>
<td>&gt;100</td>
</tr>
<tr>
<td>MC5</td>
<td>30</td>
<td>F</td>
<td>Executive Director</td>
<td>WT</td>
<td>6</td>
<td>&gt;100</td>
</tr>
</tbody>
</table>

Note: FB=family business; HK=Hong Kong; MC=Mainland China  
WT: Working together; PB: Pass the Baton  
Role in FB: 6=family member + participation of FB; 7=family member + participation of FB+ownership of FB

Fig 3-4 Key characteristics of 10 research participants

### 3.5.4. Data Collection

According to Creswell (2007) and Yin (2009), case study research can involve a variety of sources of evidence to facilitate construct validity and avoid intrinsic bias problem. Denzin and Lincoln (1998) distinguish data triangulation from
methodological triangulation where the former emphasises collection of data from different sources and the latter places great emphasis on multiple methods of data collection. Hall and Rist (1999) defines methodological triangulation as the use of multiple methods to gain the most complete and detailed data possible on the phenomenon (P.269).

This case study research collected data from 10 second-generation family entrepreneurs in Hong Kong and mainland China via transcribed interviews, field notes, and other secondary documents. The data collection in this case study research followed what Stavros and Westberg (2009) and Yin (2009) have described as ‘data triangulation’ in which the researcher collected data from multiple sources of evidence via personal interviewing, secondary documents, and direct observation (Atkins and Sampson, 2002; Drisko, 2005).

Fig 3-5 Triangulation of Data
3.5.4.1 Interview Protocol and Process of Interviews

Yeung (1995) has suggested that qualitative personal interviewing is an effective data collection method in business research in an Asian urban context. It is a particularly preferred method when research data are elicited from high-power authorities in the business world through open and discursive dialogue between the researcher and family entrepreneurs. Qualitative personal interviewing can allow ten second-generation family entrepreneurs to share highly personal thoughts and feelings (Rubin and Rubin, 1995) on a research issue that goes beyond surface level attitudes and opinions (Zaltman, 2003 that give time and opportunity for the researcher to enter the life-worlds of the researched. According to Kriz (2004), language is integral to the adoption of personal interviewing in case study research because it involves detailed discussions of different issues with second-generation family entrepreneurs who are predominantly Cantonese or Mandarin-speaking. The researcher is a Hong Kong Chinese and he can communicate freely with them in Cantonese and Mandarin and therefore surmounts any communication barrier due to language problem.

The researcher used the interview protocol (see Appendix 3) as a data collection instrument which covered all key areas of interest that was identified in the literature review section. The key purpose is to provide the direction and ensure consistency for the interviews as described by Eisenhardt (1989) and Yin (2009). The interview protocol enables 10 research participants being interviewed to be as informative as possible in responding to different questions.

The interview protocol consists of seven key question sections (QS) that reflect the actual line of inquiry in this research. QS 1 covers questions pertinent to
personal information of 10 research participants such as age, gender, marital status, educational attainment, working experience, family size, roles in family businesses and relationship with their first generation family entrepreneurs. QS 2 focuses on questions relating to background information of family businesses the 10 research participants are owning and/or managing in terms of business activity, annual revenue, number of employees, business history, and legal form of their family businesses. QS 3 covers questions pertinent to how the research participants view traditional Confucian values in terms of five cardinal relationships and behaviours.

QS 4, 5, and 6 focus on questions to unfold how the research participants own and/or manage their family businesses in terms of family, ownership, and business. These three question sections are integral to have full understanding of entrepreneurial practices of second-generation Chinese family entrepreneurs in Hong Kong and mainland Chinese societies. Moreover, QS 7 probes research participants to view the extent in which their entrepreneurial practices are similar and different from their first-generation family entrepreneurs and key success factors (KSFs) to the survival and flourishing of their family businesses.

The process of interviews followed what Yeung (1995), Bryman (2008), and Yin (2009) have recommended in order to organise in details and properly before and during conducting each interview. The researcher chose an office setting with the least distraction during weekends and each interview lasted approximate 2.5 hours. It made sure that the research participants were not frequently distracted by business calls and any other unforeseeable assignments during the interviewing process. When each interview began, the researcher introduces the foci of the interview to the research participants. According to Yin (2009), the introduction
can help to increase validity of the research.

The flow of questioning did not move in a linear direction as research participants were allowed to express their views in details and depth on some of the specific issues (Yeung, 1995). However, each of them was required to answer most of the questions. All interviews were recorded and transcribed by the researcher.

3.5.4.2 Secondary Documents

Secondary documents are valuable sources of data to provide additional descriptive accounts of Chinese family entrepreneurship and family businesses managed and/or owned by the research participants. They can be divided into three main categories, namely government, commercial, and company sources. Government sources of data include yearly statistical and economic reports published by different government bureaus at national and municipal levels. Commercial sources of data include local newspapers and magazines and special reports commissioned by chambers of commerce and other commercial agencies. This research collected company documents provided by the research participants, including company brochures, annual reports, and websites.

3.5.4.3 Direct observation

Direct observation is different from participant observation in which the researcher makes a field visit of the respondent’s office/factory in order to provide have a better understanding (Yin, 2009) pertinent to business activity of family
businesses the research participants are owning and/or managing. Unlike participant observation, the researcher maintains his status as a ‘passive’ or ‘external’ observer (Brewer, 2000:59) and does not have any formal or casual conversation and interaction with people who work for the research participants. With their special permission, the researcher took photos at the case study site. The researcher also made objective note of what he saw and recorded all observations as much as details in a field notebook. The researcher followed the data collection guideline as suggested by Creswell (2007) and Cottrell and McKenzie (2011) to adopt direct observation as a data collection method.

3.5.5 Data Analysis

Data analysis is concerned with analysis methods and procedures that are adopted by the researchers in analysis identification, data classification, and analysis (Baptiste, 2001; Punch, 2005). Since this multiple case study research involve multiple data sources, the researcher adopt Gummesson’s (2003, 2005) ‘research edifice’ as a base to construct a ‘data analysis edifice’ for this case study research.

This study is an interpretive research in which the researcher attempts to have a holistic understanding of ‘what’ are the salient features of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China and how the extant culturist perspective can be further extended, refined, or reinterpreted judiciously when applied to second-generation family entrepreneurs in both Chinese societies nowadays. According to Cepeda and Martin (2005), there are three levels of understanding in interpretive research, including subjective, interpretive, and positivist. This interpretive research strives to obtain
an understanding of entrepreneurial practices of second-generation Chinese family entrepreneurs which are informed by interpretive understanding.

The data analysis process is noted in Fig 3-6.

![Fig 3-6 Data Analysis Process](image-url)
The types of data for analysis are text and narrative that come from a variety of sources (Silverman, 2009), including transcribed interviews, field notes, and secondary documents. They are quite cumbersome and diverse so that it is not possible to use manual methods to process the analysis.

Data collected were analysed using coding structures. The nodes for data coding were structured according to different issues relating to what and how second-generation family entrepreneurs managed and/or owned their businesses (family axis, ownership axis, and business axis). All key issues associated with the research questions were used as framework to organise codes in processing the data (see Fig-3-7).
Family Entrepreneurs

Personal background
- Age
- Gender
- Marital Status
- Education
- Work Experience
- Position
- Duties & responsibilities
- Relationship with the founding entrepreneurs
- Family Size

Family business background
- Business sectors
- Geographic location(s)
- Annual revenue
- Business history
- Number of employees
- Business legal form

Views of Confucian values
- Father & sons
- Ruler & ruled
- Husband & wife
- Elders & juniors
- Friends & friends
- Propriety
- Benevolence
- Trustworthiness
- Righteousness
- Wisdom

Entrepreneurial Practices

Family Axis
- Family values (family harmony, respect of elders, loyalty, extended family, gender role, family education
- Patrilineral & patriarchal in management succession
- Family first principle
- Personal obligations to family members
- Immediate family members as management succession

Ownership Axis
- BOD composition of family members
- Concentration of Ownership
- Coparcenary and patrilineal principle of ownership transfer
- Institutionalisation of family ownership governance
- Separation of management and ownership

Business Axis
- Guanxi
- Nepotism
- Non-family professional managers
- Paternalistic leadership
- KSFs for the longevity of family business

Fig 3-7 Framework of Sections
Nvivo was adopted as it appropriately supports code-based inquiry, searching, and theorising and allow for detailed annotation and editing (Bazeley and Richards, 2005). It is the best-known software package for organising qualitative data. It enabled researcher to access and organise large quantity of unstructured qualitative data that are laborious and time-consuming (Atkins and Sampson, 2002). It assisted but it could not take over interpretation (Gummesson, 2003) of data so that the researcher did not deify this software and instead used it mainly as an organising tool.

Dooley (2002) has distinguished reflective reporting from analytic reporting style in case study report. Reflective reporting style adopts literary styles to make the case alive but tends to be subjective, whereas analytic reporting places great emphasis on an objective writing style.

A key factor in determining which case study reporting style to follow is contingent on the research objective and the intended audience (Rowley, 2002). The objective of this case study research is to generate a holistic understanding of entrepreneurial practices of second-generation Chinese family entrepreneurs. It also investigates whether the extant culturist perspective can be extended, revised, or reinterpreted when applied to second-generation Chinese family entrepreneur context. Therefore the report preparation style is both descriptive and reflective. Moreover, potential audience of this case study research is dissertation supervisor and examiners and potentially other specialist audiences in the family entrepreneurship research domain. The reporting style is a conventional 5-chapter dissertation structure, including introduction, literature review, research methodology, findings, and discussion.
3.6. Validity and Reliability

Validity tests adopted in this multiple case study research include construct validity, internal validity, external validity, and reliability and there is a variety of tactics to deal with these tests that are discussed below.

3.6.1 Construct Validity

The first validity test is to reduce bias and subjectivity by linking data collection questions and measures to research questions and propositions (Rowley, 2002). To meet the test of construct validity, three tactics have been adopted, including the use of multiple source evidence, interviewing technique, and review of case study report by key informants (Yin, 2009).

Chapter one has identified relevant research questions that determine which data is to be gathered and how it can be gathered (Golafshani, 2003). The researcher collected data pertinent to second-generation Chinese family entrepreneurs via different information sources such as personal interviewing, direct observations, and secondary documents. Triangulation of data can overcome potential weaknesses and biases that can occur when a single source is used (Starros and Westberg, 2009).

Moreover, questions were frequently repeated during interviews with those research participants to ensure that meanings were understood by them and that answers were understood by the researcher the researcher has also invited research participants to review draft case study report in order to increase relevance of the
3.6.2 Internal Validity

Internality validity is applicable to explanatory and causal instead of descriptive and exploratory case study research. First, it is concerned with confidence a researcher has made in cause and effect relationships. Second, it involves whether issues under study can be correctly inferred. Specific tactics as described by Yin (2009) to increase level of internal validity include pattern matching, explanation building, rival explanations, and logic models.

This case study research is exploratory in nature because the researcher intends not to develop possible ideas for further study of the relationship between traditional Chinese culture and Chinese family entrepreneurship. Therefore, internal validity is extraneous to this multiple case study. However, the researcher has attempted to press for a high-quality case analysis by attending to data from multiple sources of evidence and converging them with major alternative interpretations (Rowley, 2002; Pauwels and Mattyssens, 2004) as developed by other theorists in the research domain of Chinese family entrepreneurship.

3.6.3 External Validity

The third validity test pertains to the extent to which the findings of this multiple case study research can be generalised to other second-generation Chinese family entrepreneurs. It can be conceptualised as a representativeness problem between
the sample under study and the unstudied population (Gerring, 2007). Fletcher and Plakoyiannaki (2010) have maintained that external validity remains contentious in case study research because it only includes a small number of cases that are weaker than survey research with relatively larger sampling size in representativeness. However, Eisenhardt (1989), Yin (2009) and Blaike (2010) have argued that the key objective of case study research is to generate theoretical instead of statistical generalisation.

The tactic of replication logic which is analogous to multiple experiments in quantitative research is adopted to address the external validity issue in this multiple case study research. The researcher prudently selected each research participant in accordance with the sampling frame stated in section 3.5.3. but it was not specific to any particular industry, gender, or age to ensure that the results provided a cross-section of views from second-generation family entrepreneurs.

The theoretical framework as proposed in Fig 2-7 also serves as a guide to identify important steps in the research design and data collection process. Research findings of each case are then considered to be key information that can be replicated by other cases.

3.6.4. Reliability

Reliability is described by Yin (2009) as the ability of another independent researcher to follow the research design procedures as stated in this research and arrive at the same research findings and conclusions. The key objective is to minimise inevitable bias and error in data collection and analysis (Ward and Street,
2010) and this issue can be addressed through the adoption of three tactics, including development of a personal interviewing protocol, audit trail, and case study database. Section 3.5.4.1 describes the personal interviewing protocol with details about the case study questions and the procedures when conducting the interview. All study questions are specific to area of interests in this empirical research but without limiting scope for alternative line of thought.

Audit trial can be addressed by documentation of the whole research process. The researcher has appropriate record keeping of all data collected which can be accessible to thesis supervisor, examiners, and other independent researchers upon request.

### 3.7 Ethical Considerations

The researcher ought to be sensitive to potential ethical issues when conducting this research.

Ethical clearance was obtained from the Research Ethics Committee of the University of Newcastle with approval number (H-2012-0366). A copy of this approval is attached in Appendix 5. All research participants were informed of their rights in relation to the interviews and company visits, and their freedom to withdraw from the research at any time and do not have to give any reason for withdrawing. Moreover, the anonymity of the respondents is respected in the research in order to maintain the confidentiality of the data (McKenna, 2000).
All research participants received a consent form, information statement, and invitational email which are attached in Appendix 2, 3, and 4.

### 3.8 Summary

This study assumes interpretivist paradigm and uses case study as a qualitative methodology to investigate entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China. Snowball and quota sampling strategy was adopted to identify research participants through four key referral sources. Individual in-depth face-to-face interviews, company visits, and secondary document research were conducted for data collection and analysis. The interview protocol was developed to take into account of best practices adopted by qualitative researchers.

The interviews and company visits were conducted in Hong Kong and four key cities in mainland China, including Shanghai, Nanjing, Ningbo, and Guiyang. All research participants were family members of the founding entrepreneurs and they occupied key management positions in their family businesses. Nvivo was used for organisation of unstructured qualitative data.

The data analysis and results chapter discusses the details surrounding five key research questions as stated in Chapter 1.
Chapter 4

DATA ANALYSIS AND RESULTS

“A case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context”

(Yin, 2009)

4.1. Introduction

Basically all data gathered for this research were analysed and the objective of this chapter is to present data analysis of 10 second-generation family entrepreneurs in Hong Kong and mainland China. The structure of data analysis and results focus on the five research questions this study was investigating.

There are five research questions to investigate in this study:-

*RQ1: What is the background of second-generation family entrepreneurs and their family businesses?*

*RQ2: How do the complex roles and relationships of second-generation family entrepreneurs involved in their family businesses and the succession plan (family axis)?*

*RQ3: How do second-generation family entrepreneurs view and/or manage*
ownership of their family businesses? (ownership axis)?

**RQ4:** How do second-generation family entrepreneurs undertake business development and management complexity in their family businesses (business axis)?

**RQ5:** What are the enduring and changing features of entrepreneurial practices of second-generation family entrepreneurs in Hong Kong and mainland China in terms of family, ownership, and business?
4.2 Research Question 1- Personal and Family Business Background

4.2.1 Personal Background

Fig 4-1, 4-2 and 4-3 list distinctive characteristics of 10 research participants in terms of personal and family business background.

<table>
<thead>
<tr>
<th>Personal Background</th>
<th>HK1</th>
<th>HK2</th>
<th>HK3</th>
<th>HK4</th>
<th>HK5</th>
<th>MC1</th>
<th>MC2</th>
<th>MC3</th>
<th>MC4</th>
<th>MC5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>X</td>
<td>BB</td>
<td>BB</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>Y</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Gender</td>
<td>M</td>
<td>M</td>
<td>F</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>F</td>
</tr>
<tr>
<td>Marital Status</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>S</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>S</td>
<td>M</td>
</tr>
<tr>
<td>Education</td>
<td>PG</td>
<td>S</td>
<td>U</td>
<td>U</td>
<td>U</td>
<td>S</td>
<td>PG</td>
<td>PG</td>
<td>PG</td>
<td>PG</td>
</tr>
<tr>
<td>Work Experience in FB (yr)</td>
<td>15</td>
<td>25</td>
<td>20</td>
<td>22</td>
<td>13</td>
<td>20</td>
<td>6</td>
<td>13</td>
<td>8.5</td>
<td>5</td>
</tr>
<tr>
<td>Position</td>
<td>VC</td>
<td>MD</td>
<td>ED</td>
<td>NED</td>
<td>VC</td>
<td>C</td>
<td>GM</td>
<td>GM</td>
<td>MD</td>
<td>ED</td>
</tr>
<tr>
<td>Family Size (1+2G)</td>
<td>I:4</td>
<td>I:7</td>
<td>I:11</td>
<td>I:6</td>
<td>I:4</td>
<td>I:3</td>
<td>I:3</td>
<td>I:3</td>
<td>I:3</td>
<td>I:4</td>
</tr>
<tr>
<td>Relationship with 1st gen entrepreneurs</td>
<td>Son</td>
<td>Son</td>
<td>D</td>
<td>Son</td>
<td>Son</td>
<td>Son</td>
<td>Son</td>
<td>SIL</td>
<td>Son</td>
<td>D</td>
</tr>
</tbody>
</table>

Age: BB=Baby boomers; X=generation X; Y=generation Y
Gender: M=male; F=female
Marital status: M=married; S=Single
Education: U=university; PG=Postgraduate; S=secondary
Position: SVP=Senior Vice President; ED=Executive Director; VC=Vice Chairman; C=Chairman; NED=Non-Executive Director; MD=managing director; GM=General Manager; AGM=Assistant General Manager
Family size: I=Immediate; NI=Non-immediate
Relationship with 1st gen entrepreneurs: D=daughter; SIL=son-in-law
Fig 4-1: Personal background
4.2.1.1 Age

In terms of age, seven second generation family entrepreneurs in this study were born between 1961 and 1981. Born between 1943 and 1960, two second generation family entrepreneurs can be categorised as baby-boomers and there was one second generation family entrepreneur who was less than 30 years old and within the Generation Y category. There was a marked age difference between second-generation family entrepreneurs from Hong Kong and their mainland Chinese counterparts. The average age of second-generation family entrepreneurs from Hong Kong was approximate 46.6 years old whereas their mainland Chinese counterparts were 34.2 years old on average.

The age difference between second-generation family entrepreneurs in Hong Kong and mainland China could be attributed to the emergence of first-generation private entrepreneurs during the late 1980s and early 1990s in mainland China (Hu, 2005; Nie, Xin and Zhang, 2009). Most family businesses in China started after the official launch of the economic reforms in late 1980s and early 1990s. On the contrary, Hong Kong has a longer history of family entrepreneurship due mainly to the influx of mainland Chinese immigrants who brought capital and business know-how to the city after the Second World War (Wong, 1988). Therefore, the age difference of second-generation family entrepreneurs in Hong Kong and mainland China was both explicable and comprehensible.
4.2.1.2 Gender and Work Experience in Family Business

The majority of second-generation family entrepreneurs in Hong Kong and mainland China was male (80%) and married (70%). Second-generation family entrepreneurs from Hong Kong had longer work experience with their family businesses than their mainland Chinese counterparts. Except MC3, all of them were either sons or daughters of first-generation family entrepreneurs. The majority of male second-generation family entrepreneurs supported the view that first-generation family entrepreneurs had a special preference for their sons to be management successors due to the pervasive patrilineal family culture.

4.2.1.3 Hierarchical Positions and Relationships with the First-Generation Family Entrepreneurs

All second-generation family entrepreneurs in this study occupied senior management positions in their family businesses. Two of them were general managers and eight were above general manager levels (Senior Vice President, Executive Director, Vice Chairman, and Chairman). Regarding their relationships with the first-generation family entrepreneurs, nine of them were immediate family members and there was only one whose relationship with the first-generation family entrepreneur was son-in-law. Applying the three-circle model of family business (fig. 2-3) to role playing in their family businesses, five of them occupied position six (family and business) and the remaining five were in position seven (family, business, and ownership).
4.2.1.4 Education

Second-generation family entrepreneurs were very well educated. Five were master and three were bachelor degree holders and there were only two second-generation family entrepreneurs (HK2, MC1) who did not graduate from university. Besides, seven out of eight second-generation family entrepreneurs with university degrees had studied abroad which supports the extant studies that first-generation family entrepreneurs tend to send their children abroad to receive an advanced education (Ng, 2004; Fan, 2011, ICEF Monitor, 2012).

I graduated from high school in Hong Kong and studied shipping management in the US. The decision to study abroad was due mainly to my father desire me for western management knowledge learning' (HK1)

During the 1980s, it was very common for wealthy parents to send their children to study abroad. I was so lucky that my father paid all my expenses of study whereas my classmates with very good test scores could not have financial aid from their families (HK4)

My father arranged me to study abroad when I was only 15 years old. I lived in an Australian family arranged by a home stay service provider in Melbourne. I had a single room and the host family members helped to immerse myself with the new living culture and English language (MC2)
4.2.1.5 Family Size

Family size of second-generation family entrepreneurs was various in terms of numbers of immediate and extended family members. The number of immediate family members (first and second generations) for Hong Kong second-generation family entrepreneurs was larger than their mainland Chinese counterparts. Average immediate family size was 6.4 and 3.2 persons for Hong Kong and mainland Chinese second-generation family entrepreneurs. This finding demonstrate that the 'one-child' policy implemented and enforced by the Chinese government in 1977 (Cao, Tian, Qi, Ma, and Wang, 2010, Chu and Yu, 2010), ruling that each couple cannot have more than one child, has influenced family size of first-generation family entrepreneurs.

According to the theory of family adaptive strategy (Croll, 2000), family size and composition could exert considerable influence over its adaptive strategies in terms of human capital (Korinek, Chen, Alva and Entwisle, 2006). Moreover, the family size of married second generation family entrepreneurs (couples and children) in both Hong Kong was diminishing (average household size is 4-5 persons in Hong Kong and 3-4 persons in mainland China), although the Hong Kong government had never conducted a programme of population control. The findings of this study support the view that traditional big family value is viewed as archaic by second-generation family entrepreneurs in Diaspora Chinese societies (Kopnina, 2005, Tong, 2005).
### 4.2.2 Views towards Confucian Values

<table>
<thead>
<tr>
<th>Confucian Values</th>
<th>HK1</th>
<th>HK2</th>
<th>HK3</th>
<th>HK4</th>
<th>HK5</th>
<th>MC1</th>
<th>MC2</th>
<th>MC3</th>
<th>MC4</th>
<th>MC5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Propriety</strong></td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>L</td>
<td>H</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td><strong>Benevolence</strong></td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td><strong>Trustworthiness</strong></td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
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<td>H</td>
<td>H</td>
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<td>H</td>
</tr>
<tr>
<td><strong>Righteousness</strong></td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
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</tr>
<tr>
<td><strong>Wisdom</strong></td>
<td>H</td>
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<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td><strong>Father &amp; sons</strong></td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td><strong>Ruler &amp; ruled</strong></td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
<td>UE</td>
</tr>
<tr>
<td><strong>Husband &amp; wife</strong></td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>UE</td>
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<td>E</td>
</tr>
<tr>
<td><strong>Elders &amp; juniors</strong></td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>UE</td>
<td>E</td>
<td>E</td>
</tr>
<tr>
<td><strong>Friends &amp; friends</strong></td>
<td>E</td>
<td>E</td>
<td>E</td>
<td>E</td>
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</tr>
</tbody>
</table>

H=high  
M=moderate  
L=low  
E=equal  
UE=unequal

Fig-4.2 Views towards Confucian Values
4.2.2.1 Five Cardinal Behaviours

Second-generation family entrepreneurs ranked high towards five cardinal behaviours. According to them, the codes of behaviour as prescribed by Confucianism could contribute to the common good through personal and public morality upholding.

Righteousness is what you have to do with morality. My living standard is high because I inherited assets and shares of my father's business. I usually love to become an anonymous benefactor to donate daily necessity to homeless elderly and orphan because they are people in need of help. In Hong Kong some of the rich people compete for fame by participating in TV charity galas and shows which are not the right way to help needy people (HK2)

Benevolence is great because it leads people to care for each other. Wisdom can guide me to make right business decisions and deal with difficult people. I also treasure the importance of trust to build long-term relationships with friends, employees, and business partners (HK1)

The integral of wisdom is an optimal balance of qing (emotion) and li (reasoning) and it helps me to be devoid of perplexities in adversity and prosperity. I also like to be benevolent and truthful to others. (MC4)

Regarding propriety, HK5 and MC5 were extremely unsupportive of traditional rituals and ceremonies because they did not make sense in the contemporary society.
Chinese people believes that it is not a polite way to talk too much while eating. It does not make sense to me because conversation with people can increase my appetite and cultivate my relationship with others. My cronies would be very anxious about me if I remain taciturn while dining with them (MC5).

Rituals are fabricated and unnatural. I met a girl whom I liked most last year. She came from a very traditional family and finally meeting her parents become a must if I wanted to marry her. I finally broke up with her because her parents bickered with my mom about betrothal gifts. (HK5)

Second-generation family entrepreneurs thought that they usually encountered mounting difficulties while following five cardinal behaviours in the business world.

Righteousness is an ideal behaviour which is very difficult to practice in the business world and people surrounding me always act for profit (MC3).

There is an atmosphere in today’s Chinese society with ethical degradation. This is why we cannot have a stable living environment and the business world lack people to encourage fair play and have a respect for our traditional values (HK4).

Economic development has lead to pragmatism and materialism. People have bind adherence to protection of their self interests and pursuit of short-term gains. I can be very generous to my business partners and friends but they seldom act reciprocally. That is the reason why the Chinese government has
paid huge effort to promote Confucian values in the nationwide education system. (MC4)

4.2.2.2 Five Cardinal Relationships

Second-generation family entrepreneurs had mixed views toward five cardinal relationships. They unanimously supported hierarchical relationship between rulers and ruled. According to them, rulers should be held in high regard because of their obligations to deliver sustainable well-being of people in the bottom social and economic rungs.

*Hong Kong society is very chaotic right now. Elected councillors of the Legislative Council roundly criticises the Chief Executive of the Hong Kong Government and dispute his legal legitimacy as political leader of Hong Kong. He has lost his dignity and I remember when the British ruled Hong Kong before 1997, they were given a political hegemony by people from higher and lower strata of the society and nobody complained about why the government did not grant universal suffrage to all citizens. (HK2)*

*Leaders can exercise coercive power so long as it is for the best interest of the public at large. They also have the privilege to use public resources in a legal manner. For example, President Obama is ruling a democratic country but his social status is still superior to his political classes and people in the society (MC2)*

The non-sanguineous relationship between friends and friends was not vertical and
should be on the basis of trust and mutual understanding.

*To become my friends means that we are equal in relationship, regardless of family background, personality, and material possession* (MC5)

*Trust is long-term and unconditional. I cannot use money to buy friendship and what I have to do is to demonstrate my honesty and sincerity to my friends, although some of them are not as wealthy and competent as me* (MC3)

Three sanguineous relationships were viewed to be horizontal by the majority of the second-generation family entrepreneurs. Juniors were supposed to respect elders with reverence and obedience of their wishes and preferences. However, it was considered irrelevant to apply this hierarchical relationship to the business setting. The hierarchical relationship between fathers and sons was confined to sons who were still young. Similarly, the relationship status between husband and wife should be horizontal and wife should not be submissive to her husband.

*Husband and wife have 50/50 interest in family. Relationship between father and son can be unequal when he is still young. The relationship, however, should be equal when he knows how to judge right from wrong* (HK4)

*Nowadays women can be primary breadwinners for their families. Some of my friends describes themselves as household CFOs. I do not believe that wife is still subordinating to husband* (HK3)

*Elders are aging than juniors so that juniors should listen to them but if*
elders are inferior to juniors in management positions, juniors can have their sole discretion of what should be done (MC2)

If I aspire to be a father with respect and influence, my son and daughter can do what they will so long as they can give acceptable reason or explanation for it, although it might be against my desire and expectation (MC1).

Their paradoxical views towards five cardinal behaviours and relationships represented both hierarchical and egalitarian. According to Bell (2008), traditional hierarchical rituals are still deeply embedded in the Chinese society but some of the practices have been broken down or taken in a less traditional form (P.39). Clifford and Pau (2012) have maintained that there is an erosion of traditional cultural values in the Chinese society because of rapid economic and social changes and people fervently demonstrate 'short-term utilitarian behaviours and actions'.
### 4.2.3. Family Business Background

<table>
<thead>
<tr>
<th>Family business Background</th>
<th>HK1</th>
<th>HK2</th>
<th>HK3</th>
<th>HK4</th>
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<th>MC1</th>
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<th>MC3</th>
<th>MC4</th>
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<td>Min</td>
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</table>

- **Family Axis:** YB=Young business; EB=Enter business; WT=Work together; PB=Pass the baton
- **Ownership Axis:** CO=Controlling owner; SP=Sibling partnership; CC=Cousin Consortium
- **Business Axis:** SP=Start-up; E/F=Expansion/Formalisation; M=Maturity
- **Business sector:** SHIP=shipping; RT=Retailing, M=Manufacturing; F&B=Food & Beverage; Min=Mining; RE=Real Estate
- **Geographic location(s):** Int.=International; HK=Hong Kong; Chi=China
- **Business History** = Years of establishment of the family business
- **Employee no:** S=100 or below; M=101-500; L=500 or above
- **Legal form:** Privately-held limited; Public: publicly-held company

Fig 4-3 Family Business background
Fig-4.4 The Three-Circle Development Model of 10 Family Businesses

4.2.3.1 Family Business Development Phase - Family Axis

Four second-generation family entrepreneurs' firms from Hong Kong and mainland China were in the 'pass the baton' phase in which first-generation family entrepreneurs moved into late adulthood (MC1) or passed away (HK2, HK3, HK4). Ownership and management control of their family businesses were in the
hands of second-generation family entrepreneurs and their next in line. Two second-generation family entrepreneurs (HK2, HK3) were in the process of passing the baton to the third generation.

Six second-generation family entrepreneurs' firms (HK1, HK5, MC2, MC3, MC4, MC5) were in the 'working together' family axis. In this development phase, their first-generation family entrepreneurs were still at the peak of their authority in their family businesses. As founders of their family businesses, they still played a dominant and central role with direct influences in the entrepreneurial process.

*I am Vice Chairman of my family business. My father is 72 years and his health conditions continue to deteriorate. However, he still devotes all his time to the family business because he thinks he should be the only person who possesses a vast amount of knowledge of the shipping business. I am his son and he always thinks I do not have enough capability to manage the whole business.* (HK1)

**4.2.3.2 Family Business Development Phase -Ownership Axis**

Six second-generational family entrepreneurs' firms (HK1, HK5, MC2, MC3, MC4, MC5) were in the 'controlling owner' phase in which ownership was controlled by first-generation family entrepreneurs. The board of directors existed only to meet what the first-generation family entrepreneurs decided to pursue (HK1, HK5).

*My mom expects me and other board members to monitor the overall business*
performance but she always has the final say on every major real estate investment decision which involves huge capital commitment. (HK5)

Ownership concentration remained high when first-generation family entrepreneurs still exerted mostly direct influences in their family businesses (i.e. HK1’s father, HK5’s mother and MC3’s father-in-law owned 70%, 54.55%, and 85% ownership interest of their family businesses respectively).

HK2, HK3, HK4, and MC1’s firms were in the 'sibling partnership' phase. Ownership was shared by second-generation family members who might or might not have direct participation of their family businesses (HK2). During this phase, second-generation family entrepreneurs and/or their siblings adopted the role of quasi-parental leaders. For example, HK2 represented his three brothers and sisters to become Group Managing Director of the family business. HK3’s eldest brother was Group Chairman and HK4 eldest brother was the Executive Chairman of their family businesses.

4.2.3.3 Family Business Development Phase -Business Axis

All second-generation family entrepreneurs' firms from Hong Kong (HK1, HK2, HK3, HK4, HK5) and three from mainland China (MC2, MC3, MC5) were entering the maturity phase. They had stable or declining customer base and well-established organisational routines. There were two factors which could speed up or slow down their businesses during this business phase, including market competition and product life cycle. Non-family professional managers were increasingly important who provided expertise and experience to create and
sustain competitive advantages of their family businesses.

Two second-generation family entrepreneurs' firms from mainland China (MC1, MC4) were in the 'expansion/formalisation business' phase. Sufficient capital and marketing know-how were important to grow their businesses and they had pressure to hire professional managers for different specialist roles. At MC4 and HK5 firms, professional managers were in huge demand in order for the establishment of a strong foothold in the real estate market. MC1 had to cope with continuous capital demand for new coal mine acquisition deals so that he had to approach his kin ties and potential institutional investors.

4.2.3.4 Business History, Annual revenue, and Employee Number

Hong Kong firms that second-generation entrepreneurs owned and/or managed had a longer business history, higher revenue, and larger number of employees as compared with their mainland Chinese counterparts. The average year of business establishment was 56.8 years for Hong Kong participants and 30.2 years for their mainland Chinese counterparts.

The disparity was extremely noticeable in terms of annual revenue and employee number between family firms in Hong Kong and mainland China. In terms of annual revenue of 10 family firms, the highest and lowest annual revenues were USD840 mil (HK3) and USD65mil (MC1). Firms in Hong Kong had three times (USD 2.067 bil) as much as their counterparts in mainland China (USD685mil). In terms of number of employees, the highest and lowest employee size was 17,000 (HK4, MC5) and 100 (MC4) respectively.
4.2.3.5 Business Sectors and Geographic Locations

Two second-generation family entrepreneurs' firms were in the manufacturing business (HK4, MC3) and another three (HK2, MC2, MC5) were in manufacturing and retailing sector. The remaining five second-generation family entrepreneurs are in retailing, mining, shipping, and real estate businesses.

The majority of firms owned and/or managed by second-generation family entrepreneurs were from medium to large size and eight family firms set their sights on overseas markets. which dispels the widely-held beliefs (Yeung, 2000; Ahlstrom, Young, Chan, and Burton (2002) that family entrepreneurs cannot own and operate their businesses regionally or globally. The founding entrepreneurs tended to arrange them to be in charge of the overseas markets. For example, HK2 deployed his daughter and son to be responsible for the Chinese pastry markets in US and Taiwan. Besides, MC2 travelled a lot to Japan and Korea and negotiated with fashion brand owners to procure dealership and distribution rights as well as OEM business. MC5 assisted her family in expanding artificial hair market in Africa and Europe.

Nonetheless, the considerable international business experience second-generation family entrepreneurs had accumulated could trigger a process of continuing learning to identify key success factors and best business practices in different unfamiliar cultural settings (Deng, Huang, Carraher and Duan, 2009).
4.2.3.6 Legal Forms

In terms of legal form, family firms can be either private or public. Four Family firms managed and/or owned by second-generation family entrepreneurs were listed on the main board of the Hong Kong Stock Exchange (HK3, HK4, HK5) and the Shanghai Stock Exchange (MC5). First-generation family entrepreneurs sold part of their ownership interests to external investors and in order to meet listing financial and non-financial standards, they had to disclose rudimentary information about their financial condition and performance to the investing public and other stakeholders.

Six second generation family entrepreneurs (HK1, HK2, MC1, MC2, MC3, MC4) owned and or/managed their privately-held firms. Their private status enhanced their operation flexibility and shielded them from public performance oversight pressure in the public equity markets (Anderson and Reeb, 2003; Carney, Van Essen, Gedajlovic, and Heugens, 2013). These differences could lead to different ownership patterns and distinctive management styles.
### 4.3 Research Question 2 - Family Axis

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<th>Family Axis</th>
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H=High  
M=Moderate  
Low-Low  
E=Equal  
UE=Unequal

Fig 4-5 Family Axis
4.3.1 Traditional Family Values

Regarding traditional family values, family harmony and education were greatly emphasised by all second-generation family entrepreneurs. They had high regard for the inevitability and importance of family harmony to avoid unnecessary internecine conflicts and disputes amongst family members.

*Family harmony always takes the highest priority when I have any dispute with my brothers and sisters. It becomes my life dream to maintain harmonious relationship with my brothers and sisters. My little brother always thinks that his son is right but virtually he lacks sufficient experience and sometimes makes mistakes. It is better not to trigger any fresh arguments about his son's capability for the sake of family harmony (HK2)*

*Family harmony is very important. If family members have different views but they could not accommodate themselves to their differences, conflicts and disputes can arise. It is not unusual to find that there is very much bickering amongst family members in the rural area (MC1)*

To them, it was imperative to maintain mutual understanding as well as affection and gain respect from family members. However, no second-generation family entrepreneur, except HK2, agreed to accomplish family harmony through unconditional obedience.

For example, HK1 believed that family harmony depended greatly on positive personal interactions between both parties and the existence of status difference amongst family members was not beneficial to contribute to their well-being and
happiness.

*There will not be family harmony if my father directs me to accept what he wants, although I still respect him* (HK1)

HK4, HK5, MC2 and MC5 also suggested that they had to display their respect for their parents and other family members through adoption of different communication strategies. To them, directing, domineering, and submissive behaviours did not make for family harmony. MC4 believed that if parents could display respect towards their children, harmony in the family could be maintained.

*Family harmony does not necessarily mean blind acceptance and accommodation. Last year, my father blamed me for expanding the artificial hair operations in Europe when we dined at home with my mom and elder sister. I stopped talking because I could not challenged him publicly. I happened to knock on his door that led to a more constructive dialogue with him how to expand the business abroad* (MC5)

*I respect my father and my mom because I made tons of mistakes when I started working for the family business. They never made severe insults over my mistakes because they knew that it would damage my self-worth and self-esteem. They also knew that it would affect my relationship with them* (HK5).

Family education was regarded as important to second-generation family entrepreneurs because it could create long-lasting emotional bond between children and parents. It was also their responsibility to make it clear that their
children knew how to find their own path to life fulfillment.

In traditional Chinese family, parents are obliged to play the function of role construction for guiding their children succeeding in life. It represents a triumph of the entire family if their children can succeed in academics and business. According to 10 second-generation family entrepreneurs, their parents always articulated the importance of life values, including hard working, frugality, and filial piety.

*I always displayed respect and obedience on parental demands and authority when I was young. I did have many choices and non-compliance with my dad's expectations was a rebellion* (MC5)

*My dad was an immigrant from South China and he was a waiter in a local restaurant. When he opened a small grocery store, he worked at least 18 hours per day and enjoyed a frugal lifestyle until he died. His life experience has greatly affected how I behave myself* (HK2)

Second-generation family entrepreneurs were willing to share Confucian values with their children but their key priorities are to respect their children’s individuality, encouraging them to pursue their true passions, supporting their choices, and providing positive reinforcement and a nurturing environment through better school education for technical, cognitive, and social skill accumulation.

*I am not a very educated person so that I have arranged my sons and daughters to study in better US universities* (HK2)
My daughter is a medical practitioner and my son starts up his seafood business in Hong Kong. School education helps them to embark on their career development successfully (HK3)

In terms of family size, all second-generation family entrepreneurs opined that it was neither desirable nor practical to have large family. Except HK5, MC2, MC4, and MC5 who were unmarried, the number of child they had was three the highest and one the lowest.

All of my friends and relatives are not in favour of having a large family because family embodies duty and love and the less family members I have, the more time I can care for them properly (MC5)

I have approximate 40 immediate and non-immediate family members but third-generation family members seldom communicate with each others. I have three daughters and I place great emphasis on quality instead of quantity of family members. Large family size is not functional and desirable nowadays (HK3)

These findings support the recent studies that large extended families have no longer been the major family pattern in both Chinese societies (Chu and Yu, 2010, Settles, Sheng, Zang, Zhao, 2013).

Second-generation family entrepreneurs had different views towards respect of elders and gender role. The majority of second-generation family entrepreneurs in the study were male but all of them, except MC3 and MC4, have unanimously agreed that female could play a more significant role, although they were not
expected to be key breadwinner of their families.

Women status is increasingly high because of their educational attainment and intergenerational transmission of gender attitudes. Nowadays women can be breadwinner of their family (HK3)

The Prime Minister in Australia is a woman. We have more and more female entrepreneurs in China nowadays (MC2).

It is particularly destructive to portray or stereotype women as housewives because they can be very capable and competitive in the business world nowadays. They can fulfill their dream through working harder (HK5)

To them, respect of elders had lost its original meaning of unconditional obedience and they opined that elders should be respected under different circumstances, particularly reasons and capability can take precedence as and when necessary.

Elders are aging than juniors so that juniors should listen to them but if elders are inferior to juniors in management positions, juniors can have their sole discretion of what should be done (HK5)

Relationship between elders and juniors can be unequal at home but when they grow up, they should have equal say in family issues. It is imperative to regard juniors to be equal to seniors if they are capable in the company. I had left the family business for few years because I should comply with the rule that elders were senior than me (MC1)
4.3.2 Patrilineal and Patriarchal in Management Succession

Patrilineal and patriarchal in management succession was seemed to be unimportant to second-generation family entrepreneurs. They did not see any difference between male and female in management succession, except for MC3 and MC4.

According to them, important attributes of successors in family businesses should be on the basis of essential capabilities to take over the entire business and willingness of their next-in-kin instead of gender. The traditional management succession practices to have a distinctive preference for son instead of daughter because daughter was viewed not as part of the family after marriage was no longer to be relevant to most of the second-generation family entrepreneurs.

*My eldest brother has two daughters and two sons. Finally he chose her eldest daughter as the key management successor because of her capability and interest instead of gender of his children. We all have reached the general agreement of this management succession arrangement because she is really working hard, very capable, and knows how to balance different forces in the company (HK3).*

*I had one son and one daughter and it might be too early to talk about management succession because they are still very young. However, capability is very important because if they are not capable, it will create detrimental effect on the family business directly (MC1).*
4.3.3 Family First Principle and Obligations to Family

Second-generation family entrepreneurs opined that family first principle could establish a propitious foundation to sustain and grow their family businesses. They were willing to assume full responsibility of their family business interests. They thought that they had an obligation to protect family business interests at the expense of their career preference (HK1, HK2, HK3, MC3), social and family life (HK4, MC1), and other personal interests (HK2, MC5, HK5).

My father asked me to come back to Hong Kong to work for him when I was a manager of a multinational corporation in the US. At that time I reluctantly accepted it because I had to shoulder my role of being his son. I said goodbye to my best friends and colleagues in the US. I could have a very promising career development if I continued to stay in the US (HK1).

I was a senior executive with a state-owned bank in Ningbo for more than 10 years. My father-in-law asked me to work for his textile business because my wife was not born to be an entrepreneur. I left my colleagues and confronted with the textile business I had never known before (MC3).

Between 2002 and 2008, I was assigned general management of the manufacturing plant in Wuxi of China. I relocated the whole family to live in Shanghai. This was a very tough decision because I and my wife could not stay with our best friends in Hong Kong. I did not have any choice but knew that it helped a lot to expand the printing business in East and North China (HK4).
All other second-generation family entrepreneurs except MC4 opined that they had assumed overwhelming obligations and unquestionable loyalty to their families. To them, self-fulfillment and family-first principle were not mutually inclusive.

*My working hours are longer than other family members. My health conditions deteriorated and I had to stay in the hospital few months ago. I still worked despite my weak body because my brain was still functioning. I have spent around 20 years to manage and grow the family business. I am very tired now but I know I have to work until I die because this is my family responsibility (HK2)*

*My life burden is to take full responsibility of the family interests. I have sacrificed a lot, leaving my wife and children and doing business out of my home town. I miss home! My father and other elderly relatives have exerted great pressure on me to ascertain that the family business cannot be in the red (MC1).*

All second-generation family entrepreneurs defined, except MC1, family obligations in terms of immediate instead of extended family members.

*My life goal is to lead my immediate family members to walk the road to wealth and it is difficult for me to pull it off (MC3).*

*I seldom meet and communicate with my relatives. My father and my elder sister pay home visits to them during Chinese New Year and Ching Ming festival but our relatives have never participated in our family business*
4.3.4 Immediate Family Members as Management Successors

Second-generation family entrepreneurs did not have distinctive preference for arranging their immediate family members to be legitimate heirs of their family businesses. Eight of them considered selecting non-family professional managers to become CEOs of their businesses if their children are not competent enough to step into their shoes or unwilling to join their family businesses.

*I feel reluctant to require my children to join the family business. We have many non-family managers who are very professional and in senior executive positions. They can be potential management successors to the family business* (HK3)

*Management succession should be based on capability and willingness of the potential candidates. We can select a non-family professional manager to be CEO of the family business* (MC2)

These findings concur with three recent surveys on family business succession which demonstrate that family entrepreneurs from Hong Kong and mainland China did not have high expectations of their children to succeed their family businesses (Grant Thornton, 2002; China Daily, 2011; Ran and Jing, 2013).
### 4.4. Research Question 3 - Ownership Axis

<table>
<thead>
<tr>
<th>Ownership Axis</th>
<th>HK1</th>
<th>HK2</th>
<th>HK3</th>
<th>HK4</th>
<th>HK5</th>
<th>MC1</th>
<th>MC2</th>
<th>MC3</th>
<th>MC4</th>
<th>MC5</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOD composition of family members</td>
<td>M</td>
<td>H</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
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<td>2G</td>
<td>2G</td>
<td>1+2G</td>
<td>1G</td>
<td>1+2G</td>
<td>1G</td>
<td>1G</td>
<td>1+2G</td>
<td>1G</td>
</tr>
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<td>Coparcenary principle</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>H</td>
<td>H</td>
<td>L</td>
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<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
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<td>L</td>
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<td>N</td>
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<td>N</td>
<td>N</td>
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<tr>
<td>Separation of ownership &amp; management</td>
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<td>N</td>
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<td>Y</td>
</tr>
</tbody>
</table>

H=High  
M=Moderate  
L=Low  
1G=first generation; 2G=second generation; 3G=third generation  
N=No  
Y=Yes

Fig 4-6 Ownership Axis
4.4.1 BOD Composition of Family Members

<table>
<thead>
<tr>
<th>Family Firms</th>
<th>Total No. of Board Members</th>
<th>Total No. of Family Members</th>
<th>%</th>
<th>Private/Public</th>
</tr>
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<td>4</td>
<td>50</td>
<td>Private</td>
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<td>4</td>
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</tr>
<tr>
<td>HK3</td>
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<td>1</td>
<td>14.3</td>
<td>Public</td>
</tr>
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<td>HK4</td>
<td>9</td>
<td>3</td>
<td>33.3</td>
<td>Public</td>
</tr>
<tr>
<td>HK5</td>
<td>7</td>
<td>3</td>
<td>42.8</td>
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</tr>
<tr>
<td>MC1</td>
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<td>3</td>
<td>100</td>
<td>Private</td>
</tr>
<tr>
<td>MC2</td>
<td>3</td>
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<td>MC5</td>
<td>9</td>
<td>3</td>
<td>33.3</td>
<td>Public</td>
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</tbody>
</table>

Fig 4-7 BOD composition of family members

Amongst 10 family firms the second-generation family entrepreneurs owned and managed, there was a strong association between the number of family members to become board members and the legal form of their family businesses.

Six out of 10 family firms were privately-held firms in which the number of board members was dominated by family members. The number of family members to become board members diminished due mainly to pressures exerted by the equity markets and the importance of bringing in experience and skills of non-family professional managers and experts (HK3, MC5) to involve in the value creation and drive strategic development of their family businesses (Carlock and Ward, 2001; Cossin, 2012).
4.4.2 Shareholding Structure

<table>
<thead>
<tr>
<th>Single or family shareholding</th>
<th>Family Firms</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% to less than 10%</td>
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<td>0</td>
</tr>
<tr>
<td>10% to less than 25%</td>
<td>HK4</td>
<td>10</td>
</tr>
<tr>
<td>25% to less than 35%</td>
<td>MC5</td>
<td>10</td>
</tr>
<tr>
<td>35% to less than 50%</td>
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<td>0</td>
</tr>
<tr>
<td>50% or more</td>
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</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>

Fig 4-8 Shareholding Control

Eight out of 10 family firms had shareholding structure highly dominated by family members. 21.5% share interests of HK4's firm were controlled by family members. The 2008 global financial crisis caused them to sell a significant portion of ownership interests to a private equity firm. MC5's firm had share interests owned by the state asset management bureau.

*We had huge financial problem so that we sold a significant portion of company shares to an institutional investor in 2008. My father passed away in 2010 and he transferred all family fortune to my mom, me, brothers, and sisters. A Japanese investor became one of our major shareholders in 2011 and through this investor we expanded our customer profile in the Japanese market and strengthened our competitive edges in terms of packaging and*
Putting HK4 and MC5’s firms aside, the shareholding structure of family firms second-generation family entrepreneurs owned and managed was contingent on whether family entrepreneurs intend to keep full ownership control of their businesses. For example, HK2 remarked that external investors are not fully committed to development and growth of his family business.

*There are two direct competitors in Hong Kong Chinese pastry market in which ownership is highly dispersed and they are not doing as well as my family business because their family members are not fully committed to development and growth of the business. They sold their ownership interest to external investors and those of them only intend to generate short-term gains from their investments (HK2).*

However, most of the second-generation family entrepreneurs believed that they can consider selling their company shares to external investors with fresh capital, technology, and marketing know-how to bring in to their family businesses (HK1, HK3, HK5, MC1, MC4, MC5).

*I am in dire need of financial capital to begin a new round of coal mine acquisition because the central government has determined to eliminate small to medium size players. I have to acquire new coal mines to reach the minimum annual production capacity of at least 900,000 tons, otherwise, the government will push me to be out of the business. I have recently talked to my relatives in Wenzhou about their interests in being new shareholders of the family business. If they are not interested in it, I will consider potential*
institutional investors as minority shareholders if they have financial capital and new technology (MC1)

My family has a very well-established fashion business in China but what we lack is how to create brand equity and have more innovative designs to shield ourselves from local players that emphasise cost advantage in the Chinese clothing market. I have recently talked to some of the private equity funds which have capital and extensive retail networks in China and abroad (MC2).

I have joint venture investments with private equity funds and developers from Hong Kong and Singapore. They understand that I have very effective local resources to acquire greenfield and brownfield projects in prime locations and they have very professional management team and strong financial muscle (MC4).

4.4.3 Coparcenary and Patrilineal Principle

According to Chau (1991), Zheng (2009), and Yu and Kwan (2013), first-generation family entrepreneurs have a prevalent view that family business is divided equally among family members in order to keep the business in unity. Moreover, family assets are divided equally amongst all the sons but married daughters are excluded from inheritance and unmarried daughters can only claim a certain sum for marriage expenses (Sing, 2008).

Eight second-generation family entrepreneurs agreed that family assets should be divided equally to their family members but they disagreed their married and
unmarried daughters to entitle unequal share of family assets. Two second-generation family entrepreneurs from mainland China (Ningbo and Nanjing) thought that they would let their sons (MC3 has 1 son and MC4 is unmarried) to be legitimate heirs of their family assets.

*People in Ningbo still have a preference for son to inherit their family assets. I am not having any bias to gender and this is a prevalent local culture in Zhejiang province* (MC3)

*Male should be more competent than woman to undertake real estate business. The real estate business in China is extremely complicated and owners have to coordinate and communicate with many external parties. I think my ownership interest should be automatically transferred to my future son instead of daughter* (MC4).

### 4.4.4 Institutionalisation of Ownership Governance

Except HK1 and MC4, the second-generation family entrepreneurs did feel the necessity of having a formal process to plan for the eventual ownership succession. For example, HK2 was in detrimental health conditions but he had not crafted any plan to mitigate any uncertainty and anxiety surrounding the succession issues through the preparation of a shareholders’ agreement with ownership successions rules to be embodied.

*I fully understand personality of my son and daughter but as time goes by, they will have their family members so that they might have diversity of views*
about how to own the family business (HK2)

I will distribute my wealth to my daughter and son equally and they manage what they own. I have no obligation to care how they grasp the necessity of protecting and augmenting their wealth (HK3)

4.4.5 Separation of ownership and management

Amongst 10 second-generation family entrepreneurs, HK2 and HK3 did not think it feasible to have a separation of ownership and management. According to them, family members know how to manage the best interests of his family business. HK3 was anxious to view that professional managers were not attentive to their own obligations to maintain trustfulness and integrity when managing business on behalf of shareholders.

The world has been rife with an avalanche of corporate scandals that professional managers are not attentive to their own obligations to maintain trustfulness and integrity when managing business on behalf of shareholders (HK3)

However, eight second-generation family entrepreneurs opined that their successors could own their family business interests but they could not necessarily be required to manage their businesses. According to them, bringing in various kinds of knowledge, experience and skills of non-family professional managers could drive strategic innovation and build a solid foundation to grow their family businesses in the future.
The international governance standards to enhance corporate information transparency and accounting practices are a must to gain high level of reliability from external institutional investors and other stakeholders. The establishment of a rigid structure for the board of directors and senior management to have a clear definition of ownership and management is top in my agenda (MC5)

I cannot force my future son or daughter to work for the family business if they are not capable or interested in it. They can own company shares and do not participate in management of the family business which can be responsible by non-family professional managers (HK4)
### 4.5. Research Question 4 - Business Axis

<table>
<thead>
<tr>
<th>Business Axis</th>
<th>HK1</th>
<th>HK2</th>
<th>HK3</th>
<th>HK4</th>
<th>HK5</th>
<th>MC1</th>
<th>MC2</th>
<th>MC3</th>
<th>MC4</th>
<th>MC5</th>
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<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>H</td>
<td>H</td>
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<tr>
<td>Non-family professionals</td>
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<td>M</td>
<td>H</td>
<td>H</td>
<td>M</td>
<td>H</td>
<td>H</td>
<td>H</td>
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<td>L</td>
<td>L</td>
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<td>B+M</td>
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<td>B+M</td>
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<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

H=high; M=moderate; L=low  
Y=Yes; N=No  
P=Professional; T=trust; OL=obedience and loyalty  
Employer role: authoritarianism = A; benevolence = B; morality=M  
Employee role: trust=T; loyalty; obedience=O

Fig 4-9 Business Axis


4.5.1 Guanxi

To second-generation family entrepreneurs from Hong Kong and mainland China, guanxi was regarded as the most important factor to impact on business performance in mainland China. The findings supported the previous studies that guanxi was an important entrepreneurial practice of Chinese family entrepreneurs (Weidenbaum, 1996; Chen, 2001; Cheng 2004; Tan, 2004; Haley, Haley, Tan, 2009); Liu, 2009; Susanto and Susanto, 2013).

MC2 and MC5’s family businesses were in manufacturing and retailing of fashion and artificial hair. They remarked that guanxi could help them to procure relevant government permits and preferential treatment, better retail shop locations and commercial terms, and identification of business opportunities.

*Mall owners can offer me better shop locations with attractive leasing packages. They also give me preferences to utilises atrium space and communication tools at a lower cost. Government officers can help me to access to valuable policy information, tax incentives, and even potential business partners. They also help me to facilitate business license procurement procedures (MC2)*

*My father has partnered with the State-asset Administration Bureau for years to manufacture artificial hair in Henan. We have all preferential policies to grow our business in Henan province (MC5).*
HK2 and HK4 believed that guanxi was important to undertake business in mainland China because of lack of a coherent rational-legal mechanism to enforce laws.

*In Hong Kong, things can be very black and white because the legal system is very well established. However, I have to build guanxi with government officers when starting up and growing the pastry business in China. China is still under the rule of man and law is only a tool of the governing power.* (HK2)

*In Hong Kong, the legal system is very transparent and well established. My company folks in Hong Kong only focus primarily on customer needs and exempt from troublesome negotiations with the local authority*  (HK4)

Reliance on kin ties such as family members and non-kin ties such as business partners and commercial associations was common way for second-generation family entrepreneurs to build relationships with the local authority. However, second-generation family entrepreneurs, except HK5, utilised more non-kin than kin ties to establish their guanxi networks. On the contrary, second-generation family entrepreneurs could rely on the influence of their founding entrepreneurs to cultivate relationships with the local authority.

*My deceased father was one of the first real estate players to acquire a number of lands in Pudong of Shanghai when there were few players from Diaspora Chinese societies that planned to invest in Shanghai real estate during early 90s. No player liked to invest in Pudong because local people viewed Pudong as a rural area. Municipal government officers always
support me for permit procurement and new land acquisitions because my decreased father contributed a lot to economic and social development of this metropolis (HK5)

My grandfather was a very famous educator in the early twentieth-century. My father has substantial influence in dealing with government officers on municipal and provincial levels. I have benefited a lot from them to build guanxi with the local authority (MC4)

The Hong Kong Ship Owners’ Association usually pays official visits to the Central Government for exchange of information and ideas pertinent to the shipping industry. I am one of the council members so that this association helps me get in touch with key government officers and senior representatives from state-owned shipbuilding firms (HK1).

Second-generation family entrepreneurs from Hong Kong tended to associate guanxi with dining, entertainment, and gift exchange. They believe that guanxi is more a personal liability than an asset.

I can open many stores in China but I do not want to do because guanxi building is a burden to me (HK2)

When cultivating relationships with high ranking government officers, I have to drink a lot of wine to impress them. When they think that there is no instrumental value to establish personal connections between me and them, I have to find whatever ways to accommodate their needs (HK3).
However, second-generation family entrepreneurs from mainland China had more positive view towards guanxi which could be useful to build more trustful connections with the local authority.

*Dining and entertainment with government officers are not the most effective way to build guanxi. Our family business has been in Ningbo since 90s and we have paid tax to the local authority and created employment opportunities to the local society. I communicate with government officers while I do not have issues requesting them for assistance. This is guanxi!* (MC3)

*Diaspora Chinese and foreigners do not understand guanxi. They think trustful guanxi is built on dining and gift exchange. I cannot tell you the details but government officers always view them as strangers because they come from a different background* (MC4)

There are qualitative variations in connotation of guanxi, value of guanxi, guanxi building and maintenance strategy between second-generation family entrepreneurs from Hong Kong and their counterparts in mainland China.

**4.5.2 Nepotism and Non-Family Professional Managers**

Except HK2 and HK3, second-generation family entrepreneurs frowned upon hiring of non-immediate family members to work for their family businesses.

*I have around 30 relatives living in Hong Kong, Singapore, and mainland China. I often interact and get along well with them outside the workplace.*
have never thought of asking them to join my family business because too many blood relationships can influence non-family professional managers to make fair business decisions in the company (HK1)

I have never thought of hiring my relatives to work for the family business. Business is business and mounting difficulties will arise if business mixes with family emotion (MC2)

My daughter is a medical practitioner and my son starts up his seafood business in Hong Kong. It is good for them to have free choice of their career development. I do not want to hire my relatives because they are not competent enough. My family business has many non-family managers who are very professional and in senior executive positions now (HK3)

Second-generation family entrepreneurs opined that non-family professional managers were not different from family managers in terms of trustworthiness and they could play a significant role to reinforce competitive advantages of their family businesses (HK5, MC5).

Competition in the real estate market is cutthroat. The market is very fragmented with numerous sizable and small players. Nowadays tenants and buyers are very concerned about handover standards and floor efficiency. I hire very capable team members in architectural design, building construction, and marketing management to make sure that my projects can satisfy customer requirements and market standards (HK5)

Managers should be obliged to care for owner’s business interest in times of
adversity and prosperity. I do not see any difference between family members and non-family professional managers in this respect because family members can be dishonest and insincere to me (MC5).

Moreover, non-family professional managers became more important to them when their family businesses are listed in the stock exchange and the family business is growing at a phenomenal pace (HK2, HK4).

*I am still happy to expand the business to many overseas markets. We had 30% sales growth last year (2012). I have to admit that my son and daughter still demand my guidance and directions when managing overseas business in Taipei and Los Angeles. It is very important to identify professional managers who are both capable and trustful to undertake overseas business assignments (HK2)*

*External investors always review CV of our management team to make sure that we hire managers with high qualification and professional experience (HK4)*

**4.5.3 Paternalistic Leadership**

Second-generation family entrepreneurs demonstrated salient characteristics of paternalistic leadership in terms of benevolence and morality. They liked to act as a role model to all their employees and family members.

*The best leader should demonstrate a capability to learn from lessons and be*
patient and generous to people who are working for him/her. When my employees make mistakes, my role is to rectify their mistakes and coach them how to do thing better. My employees names me as their eldest sister because they believe me not to do anything detrimental to their interests (MC5)

A leader should also be a role model which can motivate employees and establish a positive corporate culture. I tell my employees that I do not work for money. I work longer hours than all of my employees and through joint team effort, we will be happier if our shipping service performs better than our direct rivals. (HK1)

Moreover, special concern of employee welfare and their personal interest not related to work could create a family-oriented corporate culture and employee commitment.

When I work with my employees, I feel extremely happy if they treat me as their closed friend and big brother. I always expect a detailed discussion about their career and family life. If relationship between employer and employee remains close and demonstrate care, it can positively create organisational commitment when everybody can focus on task and mutual interest together (MC4)

I usually express my grave concern about employee’s benefits in the company and if they encounter any personal difficulties and emergencies, I can personally help them without any second though (HK4)

I usually talk to some of my employees about their family affairs and we
exchange ideas of how to be a good father. I lend money to them if they have grave economic problems (MC2)

However, they did not support authoritarian leadership that could possibly result in huge negative consequences such as anger and fear and restrict employee’s initiative and creativity.

*I like to become an active listener so that my employees can be free to express what works better for the company interest. My employees do not expect me to have all the answers but I know how to ask the right question and solicit feedback from them* (HK2).

*If my employees always say yes to me, I will lose confidence towards them because they do not act for our best business interest. I accept dissenting views and personal opinion if they help to improve our business performance.* (MC3).

*An effective leader should avoid inducing fear, resentment, and tension from employees. He or she should show respect and allow them to speak whatever they want’* (HK4).

According to them, the role model of an employee could be characterised by his or her willingness to commit themselves to owner’s interest through their high competencies, high-level of integrity, and performance of different business milestones instead of blind submission and deference to them. They also have special concern about trustworthiness but the connotation of trustworthiness was
more a calculative than relational.

Senior managers under my direct supervision have worked together with me for more than 5 years. I understand their personality and working styles very well. My trust with them is built on the basis of competency and integrity instead of mere emotion (MC3).

I can trust my employees if they possess high moral standards and an ability to meet all business milestones. I do not expect them to have blind obedience and loyalty to me (HK4).

These research findings support the previous studies that Chinese family entrepreneurs adopted a paternalistic management style but second-generation family entrepreneurs in this case study did not support authoritarian management as well as employee’s bind submission and loyalty. They were in favour of a leadership style which could lead to high employee morale and commitment and stimulate fresh ideas and solutions.

Moreover, second-generation family entrepreneurs had low expectations of family business longevity. Most of them tended to position their family businesses as a platform to fulfill their family obligations to their founding entrepreneurs (HK1, HK2, HK4, HK5, MC1, MC2, MC3, MC4, MC5) and other immediate family members (HK3).

All second generation family entrepreneurs unanimously agreed that family business longevity is conditioned by three factors, including capability and willingness of their children, unity of their family members, and more importantly,
competitive strengths of their businesses to weather keen market competition and other exogenous challenges. Amongst three factors, they believed that competitive strengths of their family businesses were essential.

Our Chinese pastries have limited shelf life. We never add food additives such as color retention and glazing agents from artificial origin to enhance pastry appearance and flavour and prolong shelf life. This is quite costly but it helps us to establish our competitive edges in the marketplace (HK2).

Success of my family business depends very much on how to adopt modern management practices such as customer relationship marketing (CRM), risk scenario analysis, and financial management to sustain and grow the family business (MC3).

The survivability, competitiveness, and profitability of the family business are not contingent on how we can tighten ownership control. We are successful because public shareholders have confidence towards us on the basis of our proven business performance (MC5).
4.6 Research Question 5- Enduring and Changing Practices of Second-Generation Family Entrepreneurs

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<td>Separation of Ownership &amp; management</td>
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<td><strong>Business Axis</strong></td>
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<td>Guanxi</td>
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<td>Nepotism</td>
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<td>Non-family Professionals</td>
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<td>Employer Role Model</td>
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<td>Employee Role Model</td>
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<td>Family Business Longevity</td>
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</table>

Fig 4-10 Enduring and Changing Entrepreneurial Practices
4.5.1. Enduring Entrepreneurial Practices

Drawing evidence from this multiple case study, some of the salient features of value patterns and entrepreneurial practices of second-generation family entrepreneurs could be characterised as a replication or homogeneity of their first-generation counterparts that could be specifically explicated by the culturist perspective.

First, the majority of the second-generation family entrepreneurs sympathised with some of the Confucian and family values and admitted that they could have the benign effect of maintaining social stability and promoting business ethics, although their emergent profile of was explicitly more knowledgeable about western values as a consequence of their previous education than their first-generation counterparts. Examples to illustrate their high propensity to sympathise Confucianism included benevolence, trustworthiness, wisdom, and righteousness in five cardinal behaviours and ruled and rulers and friends and friends in five cardinal relationships. Moreover, family education was considered the most important and beneficial to technical, cognitive, and social skill accumulation of their children.

It was agreed upon generally by the second-generation family entrepreneurs that their first-generation counterparts had exerted significant influence on them to learn how to behave in ways that incorporated the intrinsic merits of Confucian values such as hard-work, frugality, and filial piety in the parental duty of norm transmission, In this regard, the values of members of these two generational entrepreneurs showed no mark of disparity in cultural values.
Second, several second-generation family entrepreneurs placed great emphasis on First Family Principle (Family Axis) that put family interest as the most important option while they had to be responsible for the ownership and management of their family businesses. They stuck to the First Family principle in terms of their willingness to subordinate their personal interest to that of their parents and other immediate and non-immediate family members as well as betterment of family business and protection of family ownership interest.

Signs of self-sacrifice were shown by long working hours, overwhelming obligations to improve business profitability, relinquishment of their own career opportunities with other employers, the tensions between work aboard and family life, workplace stress and health deterioration. To sum up, they had an underlying belief that they took full responsibility of their family interests without utilisation of family resources solely for personal favour pursuance.

Third, several second-generation family entrepreneurs did not have any idea of formulating and executing a concrete plan to institutionalise their ownership governance (Ownership Axis) in terms of transmission of their ownership interest onto their next-of-kin. It seemed that they were not familiar with an array of ownership governance options commonly practiced by family entrepreneurs in the western world such as family councils, shareholders' council, family office, and family foundation. They did not think it a must to have any ownership succession preparation for their next-of-kin in order to steward ownership of their multi-generational businesses.
Analogous to their first-generation counterparts, they were quite ambivalent to ownership succession preparation due mainly to their deep involvement in their family businesses and found it difficult or premature to contemplate how to change hands on ownership of the steering wheel. Another cogent explanation of this phenomenon, as remarked by second-generation family entrepreneurs, was that the equal inheritance system widely adopted by their first-generation counterparts was considered a coding guide to them in transmitting their ownership interests onto their next-of-kin.

Fourth, guanxi was still considered a necessity while second-generation family entrepreneurs interacted with government officers and different business parties, although second-generation family entrepreneurs in Hong Kong regarded the influence of guanxi had became moderate in Hong Kong thanks to the evolution of a more transparent market and well-established legal system. According to them, the values of guanxi was multifaceted, ranging from procurement of government permits and market intelligence to identification of business opportunities.

Analogous to their first-generation counterparts, they utilised kin and non-kin relationships within the expressive, mixed, and instrumental ties to build and expand their guanxi networks, but nonetheless, second-generation family entrepreneurs from mainland China had more privilege than their Hong Kong counterparts in relying on business founders' on-going influence in their guanxi networks in their home country which could be regarded as a competitive advantage whereas their Hong Kong counterparts counted on a slightly different form of network embeddedness through mixed and instrumental ties. Guanxi was still as an important social capital which could
be deemed as an important asset in Chinese second-generation family entrepreneurshi.

4.5.2 Changing Entrepreneurial Practices

On the contrary, data drawing from these ten cases could well demonstrate changing entrepreneurial practices of second-generation family entrepreneurs as opposed to their first-generation counterparts in which adherents of the culturist perspective might not be able to explicate these changing entrepreneurial practices to a certain extent.

First, several second-generation family entrepreneurs had mixed view towards five cardinal values and relationships as well as traditional family values. In terms of five cardinal behaviours, the attitude of the second-generation family entrepreneurs exhibited a partial disconnection with traditional rituals that were considered an old practice and time-consuming. They adopted an increasingly utilitarian approach to traditional rituals which rejected the need for observing deeply-ingrained protocols leading to a simplification of ritual practices. In terms of five cardinal relationships, the majority of them rejected subservient positions of wife to husband and juniors to elders. Their definition of status was more contingent upon individual capability rather than sexual, biological, age-dependent, and cultural considerations.

Moreover, second-generation family entrepreneurs were less committed to traditional family values such as large extended families, family harmony, and
respect of elderly than their previous generation counterparts. The data pertinent to size of their immediate families (Fig 4-1) well illustrated their discontinuance of the traditional notion of large extended family and in the minds of the majority of second-family entrepreneurs, the connotation of family members in their businesses was more inclusive of their immediate family members. Regarding family harmony and respect of elderly, second-generation entrepreneurs still highly valued the importance of family harmony but it was not reflected in full conformance to parental demands and authority. The Confucian virtue of filial piety for the good of family harmony was viewed to be inappropriate and parents should displayed affection and respects towards their children in order to maintain family harmony and amicable relationship between juniors and elders.

Second, contrary to their first-generation counterparts who preferred a family member to succeed them in the management of their family businesses, second-generation family entrepreneurs did not think it a must to select their children as key management successors. Nor were they strong adherents of patrilineal values associated with Confucianism in which succession to management of their family businesses was restricted to males and a daughter succeeded to her father's business was rare.

A majority of them anticipated transferring the management of their family businesses to professional managers if their children might not be willing to take over the reins. According to them, their children could prefer to create their own businesses or worked in other corporations and they treasured their independence and free-will. Even if their emphasis was placed on their children to manage their businesses, the most significant qualifying criterion
were the next generation successor's commitment, passion, and competence instead of gender.

Third, it was clearly evident that second-generation family entrepreneurs did not adopt any ownership governance mechanism for the transmission of their ownership interests to their children. However, they had divergent views towards separation of ownership and management and patrilineal ownership transmission as opposed to their previous generation counterparts.

A majority of the second-generation family entrepreneurs opined that their sons and daughters would be entitled to equal inheritance of their business ownership interest whereas for their first-generation counterparts, there was evidence about the resilience of son preference with the lesser amount given to their daughters. Notwithstanding two second-generation family entrepreneurs (MC3, MC4) had a son-preference slant in ownership transmission which exhibited women's status could vary in different regions in mainland China (Ningbo and Nanjing), the degree to which their attitude towards ownership transmission demonstrated a marked departure from the one adopted by their previous generation counterparts.

In terms of ownership of their family businesses, second-generation family entrepreneurs were more receptive to external investors who could bring in technology and marketing know-how as well as equity financing to effectuate their businesses, although there was no appreciable difference between them and their previous generation counterparts in terms of preservation of their majority ownership. A marked difference could be discerned in their willingness to separate ownership from management control which demonstrated their willingness to assign more professional managers to senior
leadership positions in order for the growth of their family businesses, satisfaction of regulatory requirements, and improvement of market and business advantages.

Fourth, first-generation family entrepreneurs usually made use of immediate family members and their relatives to support their businesses in and out of their home countries. The data collected from second-generation family entrepreneurs also revealed the hiring of their third-generation family members as senior executives (HK2, HK3). However, a majority of them did not have any preference for passive nepotism and they strived not to hire their relatives. An emergent trend of second-generation family entrepreneurs was discerned in family hiring to restrict to immediate family members instead of relatives.

The attraction of competent and committed non-family professional managers and they adopted different western management practices to professionalise human resource management. Notwithstanding they highly valued the importance of employee trustworthiness and the importance of benevolence and morality in being a role model of their employees, there was a strong tendency amongst second-generation family entrepreneurs to become more calculative than relational in employee assessment and less authoritative than democratic in leadership style when comparing with their first-generation counterparts.
4.7 Summary

Second-generation family entrepreneurs had distinctive personal background and cultural values that were different from their first-generation counterparts, although they still supported some of the codes of values and behaviours advocated by Confucianism. They were also different from their first-generation counterparts in terms of how they own and operate their family businesses.

This data analysis section has demonstrated that the culturist perspective could be adopted as a reliable analytical framework to provide us with a picture of enduring entrepreneurial practices of Chinese family entrepreneurs. However, the uncritical acceptance of the culturist perspective in understanding Chinese family entrepreneurship could demonstrate its shortcoming and findings from this data analysis could reveal changing entrepreneurial practices of second-generation family entrepreneurs in which the culturist perspective failed to attempt the diverse patterns of entrepreneurial practices.

Conclusions drawn from this data analysis are that the study of entrepreneurial practices of second-generation family entrepreneurs can provide a nuanced understanding of the diversity and complexity of Chinese entrepreneurial familism in different generations and consequently, it is not incontrovertible to view that Chinese entrepreneurial familism is not merely a timeless replication of traditional Chinese culture but as a timely situated set of entrepreneurial practices in an evolving contextual realities. Accordingly the evolving patterns and discourse of Chinese
entrepreneurial familism have different meanings and deployments at different given moments.
Chapter 5

DISCUSSION OF FINDINGS AND EXPLORATORY OUTCOMES

“The succeeding generation of family leaders share some similar beliefs and cultural traits with the first-generation leaders, but they are different in terms of exposure, professional training, experience, and mental paradigms. (Fock, 2009)

5.1. Introduction

According to Reay and Whetten (2011), a good theory can provide an accurate explanation of a phenomenon in which it “helps identify what factors should be studied and how and why they are related” (P.106). The research findings suggest that the adoption of the culturist perspective to interpret entrepreneurial practices of second-generation family entrepreneurs in both Chinese societies is partial and too deterministic. There is a complex relationship between entrepreneurial familism and the influence of traditional Confucian culture values.

5.2 Summary of Major Findings and Conclusions

Major research findings of second-generation family entrepreneurs in Hong Kong and mainland China have generated insightful ideas of whether the extant culturist
perspective can be adopted to the explication of enduring and changing entrepreneurial practices as opposed to their first-generation family entrepreneurs.

Second-generation family entrepreneurs had unique personal and family business attributes as opposed to their first-generation counterparts in terms of education, age, work experience, family size, and the development phase of their family businesses in family, ownership, and management axes. Eight out of 10 second-generation family entrepreneurs received better education in local (MC3) and/or overseas universities (HK1, HK3, HK4, HK5, MC2, MC4, MC5) and had more international business exposure (HK1, HK2, HK3, HK4, HK5, MC2, MC5) or longer period of staying in a non-Chinese cultural environment (MC2, MC4) that allowed them to learn and experience the 'killer applications' (best practices) of the western world (Ng, 2004; Ferguson, 2012) in different aspects.

The size of family for second-generation family entrepreneurs from Hong Kong was far smaller than their first-generation counterparts (HK1, HK2, HK3, HK4, HK5) and due to the enforcement of the one-child birth planning programme (Chu and Yu, 2010; Settles and Sheng, 2013) in mainland China as well as the acceptability and popularity of core family concept, second-generation family entrepreneurs from mainland China never contemplated to have large extended families. According to the family adaptive strategy (Croll, 2000), family size could exert considerable influence on how family entrepreneurs mobilise and allocate different financial and human resources. As demonstrated in these 10 cases, second-generation family entrepreneurs were willing to bring in non-family professional managers in order for their businesses to grow and prosper since core families had constrained the quantity of qualified family members to involve in
their family businesses (Tong, 2005).

The unique life experience and the institutional environment second-generation family entrepreneurs had encountered can have impacts on their entrepreneurial practices. The 10 case study encompasses three generations, including baby-boomers (HK2, HK3) and generation X (HK1, HK4, HK5, MC1, MC3, MC4, MC5) ad generation Y (MC2). Based on the generational subculture theory, values, beliefs, norms, and behaviours of each generation is shaped by major events and circumstances that occurred during its 'most impressionable period of time' (Ralston, Egri, Stewart, Terpstra and Yu, 1999; Erickson, 2009; Chevalier and Lu, 2009; Martinsons and Ma, 2009; Clifford and Pau, 2012). As demonstrated in these 10 cases, second-generation family entrepreneurs had mixed views towards traditional Confucian values. They neither accepted nor rejected Confucian values in a holistic manner. Besides, they still showed respect for five cardinal values and behaviours. In terms of five cardinal values, they all agreed that rulers are superior to the ruled and fathers and elders should be respected by juniors and sons in family. Non-consanguineous relationship between friends and friends should be based on mutual trust and understanding. Moreover, the codes of behaviour Confucianism delineated were highly recognised by second-generation family entrepreneurs, particularly righteousness, benevolence, trustworthiness, and wisdom.

However, their reluctance to concur with some of the Confucian values and prescribed behaviours represented a considerable departure from and a stark contrast with what first-generation family entrepreneurs had believed. Second-generation family entrepreneurs did not accept conjugal relationship to be
vertical and the submission and subordination of wife to husband was viewed as improper and unnatural. Besides, consanguineous relationships between fathers and sons and elders and juniors in business cannot be based on seniority in age and experience (HK1, HK3, HK5, MC1, MC2, MC4, MC5) in business. To them, sons and juniors could be capable enough of dealing with a complexity of business challenges when they gain more professional experience. Due to social changes, they believed that the pervasive influence of Confucianism in traditional rituals can be simplified because such rituals are neither adequate nor advisable (HK2, HK3, HK4, HK5, MC2, MC3, MC4, MC5) and substance should take precedence over forms in the contemporary society. Moreover, all second-generation family entrepreneurs agreed that it can be very challenging to follow five cardinal behaviours because of the dramatically altered social values and attitudes such as the influences of materialism and pragmatism in the business world (HK1, HK3, HK4, MC1, MC3, MC4)

The institutional environment could affect how second-generation family entrepreneurs adopt different entrepreneurial practices in order for their family businesses to grow and prosper. Second-generation family entrepreneurs were all agreeable to the adoption of guanxi to connect the right government people while doing business in mainland China. However, second-generation family entrepreneurs from Hong Kong were very concerned about the detrimental effects of guanxi in terms of favour exchange (HK3), health problem due to heavy dining and drinking (HK1, HK4, HK5), and personal life (HK1). To them, guanxi is more of a liability than an asset and they highly commended the well-established legal and market systems in Hong Kong. On the contrary, guanxi was widely considered by their mainland Chinese counterparts as a key factor to the mitigation of regulatory risks (MC1), opportunity identification (MC2, MC4),
and procurement of preferential treatment (MC3, MC5). MC3 and MC4 believe than they had better knowledge and experience of how to build guanxi with the right government people than their Hong Kong counterparts. The vast differences in viewing guanxi between second generation family entrepreneurs from Hong Kong and their mainland Chinese counterparts could be attributed to the distinctly different institutional environments they have encountered (Man, Lau, and Chan, 2008).

In terms of family axis, family is promoted by Confucianism as the most fundamental organising and working unit of the society (Chen, 2001, Rarick, 2007) and family values Confucianism described provides a means for individuals to develop themselves (Taylor and Arbuckle, 1995) in ensuring that they serve family interests and well-being of other family members with pride. Drawing from these 10 cases, second-generation family entrepreneurs unanimously agreed to the importance of harmony that led to a peaceful, happy, and orderly family. Harmony did not imply an unconditional obligation and submissive behaviour. They believed that family harmony could be accomplished through mutual respect (MC4) between elders and juniors as well as adoption of effective communications strategies (HK2, MC2, MC5). In that extent, the connotation of family harmony was more a collaboration than an unconditional submission and compliance.

All second-generation family entrepreneurs ranked high in family first principle and obligations to their family members. The importance of familism which was characterised by predominant focus on family interest at the expense of personal interest remained high to second-generation family entrepreneurs from Hong
Kong and mainland China. Except MC1, they tended to associate family interest with immediate family members instead of extended family members. These research findings concurred with the previous studies (Nie and Wyman, 2005; Wong and Liu, 2006; Settles and Sheng, 2013) that there was a significant demise of large extended families which represent the underlying forces of traditional familistic value of Confucianism.

All second-generation family entrepreneurs did not, except MC3 and MC4, think it a mandatory to plan their sons to be key management successors. Nor did they have a strong intention of arranging their children to manage daily operations of their family businesses. Although they valued the importance of traditional family values, they did not think that their children were obliged to follow the yellow brick road of running their family businesses in perpetuity. The blind faith in filial piety was no longer to be a must to them and they expected their children to manage their personal and business life with self-reliance and free will. If their children were not likely to be interested in running their family businesses, they could consider bringing in non-family qualified and capable executives as CEOs (HK1, HK5, MC2, MC4, MC5).

In terms of ownership axis, there was a clear distinction of number of family members between unlisted and listed boards. Six unlisted family firms second-generation family entrepreneurs owned and/or managed represented medium (50%) to high (100%) percentage of family board members. The number of family board members diminished (14.3 - 42.8%) in four listed family boards (HK3, HK4, HK5, MC5). Such distinction can be attributed to the selection qualified and capable non-family professional managers and experts (HK3, HK4, MC5) as board members to involve in strategic development, financial monitoring
and shareholder communication to satisfy requirements for institutional investors, regulatory bodies, and the public media (Carlock and Ward, 2001; Long, Dulewicz, and Gay, 2005; Cossin, 2012).

However, concentration of ownership (50% or above) remained prevalent in eight of 10 cases (HK1, HK2, HK3, HK5, MC1, MC2, MC3, MC4). Amongst six cases (HK1, HK2, HK3, HK4, MC1, MC4) in which second-generation family entrepreneurs had a real ownership interest in their family businesses, five second-generation family entrepreneurs could consider attracting external investors as minority shareholders if they brought in fresh capital (MC1), new technology, and market know-how to their family businesses (HK1, HK3, HK4, MC1, MC4). In other words, the high concentration of family ownership could be a representation of their reinforcement of the focus on protection of family interest while maintaining pragmatic relationships with external investors.

Regarding coparcenary and patrilineal principle of family asset transfer, Chau (1991), Sing (2008), Zheng (2009), and Yu and Kwan (2013) have maintained that family assets are divided equally amongst all their sons. Married daughters are excluded from inheritance and unmarried daughters can only claim a certain sum for marriage expenses (Sing, 2008). Eight second-generation family entrepreneurs agreed that family assets should be divided equally to their sons and daughters. There are two second-generation family entrepreneurs from mainland China (MC1 from Ningbo and MC4 from Nanjing) planned to arrange their current or future sons (MC3 has 1 son and MC4 is unmarried) to be legitimate heirs of their family assets. These research findings concur with previous studies (Graham, Larsen, and Xu, 1996; Zheng, 2009, Chu and Yu, 2010) that people from some of the Chinese regions still maintained strong son preference mindset.
Except HK1 and MC4, all second-generation family entrepreneurs were similar to their first-generation family entrepreneurs in terms of intergenerational ownership transfer practice. They do not find it necessary to institutionalise ownership governance mechanism through the establishment of shareholders agreement, family council, and family constitution.

With regard to separation of ownership and management, all second-generation family entrepreneurs emphasised, except HK2, professionalisation of management in which their successors could retain ownership interests but they were not required to manage their family businesses. Five second-generation family entrepreneurs maintained that the acquisition of various kinds of knowledge, experience and skills of non-family professional managers and experts could, particularly when their family businesses have been becoming sizable in terms of sales revenue and market share (HK1, HK2, HK3, HK4, MC3, MC5), warrant growth and prosperity of their family businesses.

In terms of business axis, guanxi was still a key business practices to second-generation family entrepreneurs from Hong Kong and mainland China for the establishment of personal connections with appropriate authorities or individuals to provide benefits and convenience for the development of their businesses in mainland China. However, there were four notable qualitative variations between second-generation family entrepreneurs in Hong Kong and their Chinese mainland counterparts in terms of connotation of guanxi, guanxi value, guanxi building, and strategies to maintain guanxi. These research findings demonstrated that the institutional environment, stable versus relatively unstable, in Hong Kong and mainland China could impact how second-generation family entrepreneurs adopted different entrepreneurial practices. The research findings
concur with the previous studies that guanxi could be more or less influential, depending on improvement and fading of the legal and informal systems (So and Walker, 2006; Lou, 2008; Drew, Kriz, Keating and Rowley, 2012).

The culturist perspective has characterised nepotism as a prevalent cultural norm of Chinese family business because family entrepreneurs perceived employment of family members as part of their obligations to provide financial security to their immediate family members and relatives (Redding 1990; Fukuyama, 1996; Weidenbaum, 1996; Wong, 1998; Leung, 2001; Lin, 2005). Drawing research findings from 10 cases, second-generation family entrepreneurs did not have a preference for family members to occupy management positions in their family businesses for professionalisation of management (HK3, HK4, MC5, MC2), avoidance of conflicts of family emotions, and rational business judgment (HK1, HK5, MC1, MC3, MC4). If there were no suitable family business successors, they would consider hiring non-family professional managers as CEOs of their businesses.

Paternalistic leadership consists of three key dimensions, including authoritarianism, benevolence, and morality. All second-generation family entrepreneurs did not adopt authoritarian leadership style. On the contrary, they placed great emphasis on frequent and positive interactions with other family members and their employees to generate more insightful ideas before making any major business decisions. In that extent, second-generation family entrepreneurs tended to conduct in a manner where unquestioned allegiance and submission from their employees were not a must. This 10-case study provided little support for the widely-held beliefs (Redding, 1990; Greenhalgh, 1994; Chen, 1995, Wah, 2001; Yuen, 2003; Redding and Wong, 2008) that authoritarian
leadership style was prevalent in all Chinese family entrepreneurs. Paternalistic leadership could be, however, characterised by their emphasis of moral values and self-discipline to set examples for their employees and the emphasis of "mutuality" and “reciprocity” to show kindness care to their employees so that employees can pay indebtedness and personal commitment to their family businesses. Evidence gleaned from 10 second-generation family entrepreneurs pertinent to paternalistic leadership in these two dimensions were similar to the extant evidence demonstrated by the previous studies (Sheer, 2012).

Second generation family entrepreneurs maintained that the role model of an employee should consists of trustworthiness and professionalism. To them, blind loyalty and submissive behaviours (HK1, HK3, HK4, HK5, MC2, MC3, MC5) were negative contributors to high business performance. Evidence provided in this study revealed that they had a very realistic appraisal of staff performance through the adoption of different human resource practices to develop their employees who are competent and possess necessary professional skills. Moreover, trustworthiness was viewed to be more instrumental-oriented (calculative on the basis of individual performance and integrity) (HK1, HK4, HK5, MC2, MC3, MC4, MC5) than relational-oriented (blind faith and sentimental ties) (HK2, HK3, MC1) to second-generation family entrepreneurs. This view is in stark contrast with that of the first-generation family entrepreneurs that they have strong distrust of non-family professional managers in which submission and loyalty of their employees are mandatory.

The Buddenbrooks effect (Mann, 1994) that "Family business cannot last three generations" hypothesis was acknowledged by eight second-generation family entrepreneurs. According to them, the longevity of their family businesses were
contingent on willingness and competency of their family successors (HK3, HK4, HK5, MC1, MC4, MC5), unity of family members (MC1, MC3), and competitive strengths of their family businesses against current and future rivals (HK3, HK4, HK5, MC1, MC2, MC3, MC4, MC5). Unity of family members was viewed as the least important factor to determine family businesses longevity.

In conclusion, this 10-case study has demonstrated that second-generation family entrepreneurs are not living in the shadows of their founding patriarch who found their family businesses on their entrepreneurial practices. Nor do they have a holistic acceptance of the cultural baggage of traditional Confucian values. They have endured some of the entrepreneurial practices of their first-generation family entrepreneurs but they also put to work new entrepreneurial practices in reactions to the evolving contextual realities.

This study provides evidence that the culturist perspective can partially understand what is going on behind the bamboo curtain of the second-generation family entrepreneurs.

5.3 Theoretical Implications

This study provides evidence that second generation family entrepreneurs have enduring and changing entrepreneurial practices as opposed to their first-generation counterparts. Therefore, the culturist perspective cannot inductively conclude that the baggage of Confucian values can be reliably served as a guidepost to the investigation of entrepreneurial practices of
second-generation Chinese entrepreneurs in a holistic manner. This study provides three theoretical implications to the investigation of Entrepreneurial Familism in the Chinese world.

First, there has been a dearth of empirical studies on family entrepreneurs in an etic manner. Various scholarly studies have traced quantitative and qualitative variations in entrepreneurial practices of family entrepreneurs in distinct national cultures (Shane, 1992, 1993; Muller and Thomas, 2002; Gupta, Levenburg, Lynda., Motwani and Schwarz; Gupta and Levenburg, 2010, Lau, Dimitrova, Shaffer, Davidkov and Yordanova, 2012) that enrich our understanding of the diversity of entrepreneurial practices across different cultural contexts. This case study has adopted the emic approach to investigating second-generation family entrepreneurs that demonstrate much diversity of entrepreneurial practices in terms of family, ownership, and business as compared with first-generation family entrepreneurs within a single culture. It is incontrovertible to view that the adoption of an etic approach can unfold differences and similarities in distinct cultural contexts such as family entrepreneurs in US and China but it underestimates variation in Chinese entrepreneurial practices between second-generation family entrepreneurs and their first-generation counterparts within a single national culture.

The etic approach to investigating entrepreneurial practices of Chinese family entrepreneurs is still useful to differentiate diverse entrepreneurial practices across different cultures but it poses challenges to researchers as cultural influences are intersecting and diverging within and across cultural boundaries due to economic globalisation and technological revolution (Fan, 2012). It is therefore suggested that the adoption of the emic approach to investigating Chinese entrepreneurial
practices can capture more precision and detailed descriptions (Harris, 1996; Kriz and Flint, 2002; Leung and White, 2003) of entrepreneurial practices.

Fig 5-1 Theoretical Implications for Etic and Emic Studies

Fig 5-1 demonstrates that this case study provides a very insightful methodological base for qualitative and quantitative researchers to investigate Chinese family entrepreneurs in different temporal and physical contexts via 'bottom-up' instead of top-down' perspective in order to unfold diversity of Chinese family entrepreneurship within a single national culture. It also constructs a solid foundation for researchers to undertake comparative family
entrepreneurship research on etic level.

Second, this study has revealed the constraints and limitations of adopting a cultural explanatory view to the explication of enduring and changing entrepreneurial practices of second-generation family entrepreneurs as opposed to their first-generation counterparts. This case study demonstrates qualitative variations (Fig 4-10) of entrepreneurial practices of Chinese family entrepreneurs in family, business, and ownership dimensions in a generational perspective in which traditional Confucianism cannot be an important explanatory factor for particular changing entrepreneurial practices.

If there are some forms of correlation between culture and entrepreneurial practices, Chinese cultural values cannot be viewed as static as advocated by the culturist perspective and recent scholarly studies remark that cultures in Hong Kong and China have significant cultural transformation. Pauly (2011) has maintained that Hong Kong is a very international society and has becoming a top-tier financial hub in Asia under the profound influence of western business culture. Cultural Anthropologists Siu and Ku (2008) have maintained that Hong Kong people have lived under a complicated history of colonial encounters, trading empires, and family formations where they have moved across borders physically, socially, and culturally. Traditional cultural values in mainland China have also undergone a metamorphosis for the previous three decades due to economic modernisation and political changes (Bouee, 2011).

The process of globalisation offers ample opportunities for second-generation family entrepreneurs to experience different cultural values and beliefs that are conducive to changes in practices. Nowadays Chinese family entrepreneurs are
prone to do business in a borderless and wireless world with diverse cultural learning, knowledge transfer, and synchronized information sharing (Fan, 2010). Globalisation has certainly eroded some of the traditional Chinese cultural values, although this case study has demonstrated that that most of the second-generation family entrepreneurs retained some of the codes of Confucian values and behaviours in three entrepreneurial dimensions such as family first principles, the value of guanxi, moral values and self-discipline in parental leadership. are neither a devout follower of Chinese traditional cultural values nor a blind adoption of western business practices. Adopting Fang’s (2012) Yin Yang approach to explicate Chinese family entrepreneurial practices, they are full of paradoxes, diversity, and change in which traditional cultural values are not free of situation, context, and time (P.35). Accordingly this case study has direct researchers to criticise how Confucian values matters, or not, for Chinese family entrepreneurs in their business practices. It is suggested that the extant culturist perspective should be refined and reinterpreted to take into account of exogenous and endogenous cultural forces that can trigger changing entrepreneurial practices.

Third, this empirical research proposes to adopt a multidimensional approach to the investigation of entrepreneurial practices of second-generation Chinese family entrepreneurs Diaspora and mainland Chinese societies. The proposed diagram is stated in Fig 5-2 suggests that this multidimensional approach allows for the possibility of having a holistic empirical study of enduring and changing entrepreneurial practices of Chinese family entrepreneurs which could potentially inform theoretical developments of a general theory of Chinese Entrepreneurial Familism in Diaspora and mainland Chinese societies. The adoption of a multidimensional perspective can allow for a better understanding of the complexity and diversity of Chinese Entrepreneurial Familism
Entrepreneurial Familism

The culturist perspective: Confucianism as traditional Chinese culture

Family Axis
- Family first
- Large family
- Affection, respect, duty, and obedience to family
- Patrilineal & patriarchal management succession

Ownership Axis
- High concentration of ownership
- Coparcenary and Patrilineal principle of ownership succession
- Non-separation of ownership and management
- Lack of ownership succession planning

Business Axis
- Nepotism
- Distrust of non-family professional managers
- Key management positions
- Paternalism leadership
- Guanxi

Spatial setting

Temporal setting

Multiple case Study

3-circle & life-cycle models of family business

Entrepreneurial Familism

Other exogenous and endogenous forces – changes of institutions and markets

Emic Approach (Bottom Up) to identifying enduring and changing entrepreneurial practices across two Chinese societies

Hong Kong (5)

Mainland China (5)

Chinese Family Entrepreneurs

2nd generation

Fig-5-2 Entrepreneurial Familism
5.4 Practical Implications

This empirical research has generated practical implications for four groups of people, including first-generation and second-generation family entrepreneurs, business executives from the western world who have to undertake international business assignment in Hong Kong and mainland China, and policy makers in the government.

Second-generation family entrepreneurs have been playing a more significant role in terms of their management positions and business involvement in their family businesses for the previous 10 years (Ng, 2004; Fock, 2009). For example, Victor Li, the elder son of the family business patriarch’s Li Ka-shing in Hong Kong, has presided over multi-billion merger and acquisitions deals in and out of Asia (Yeung, 2008). Raymond and Victor Fung from Li and Fung have transformed their family business from a local trading firm (Fung, Fung and Wind, 2008) into a global logistic player to serve international retailers and brands (Khanna and Palepu, 2010, CIB, 2010).

To date, there is sparse empirical research to investigate entrepreneurial practices of second-generation family entrepreneurs in mainland China. According to Garen (2008) and a survey (n=122) cosponsored by the Shanghai Youth Homeland Civil Society Organisation and the Relay China Youth Elite Association (Yu, 2010) and another survey conducted by the Zhejiang Chamber of Commerce (Xinhua, 2010), more than 80% first-generation family entrepreneurs are facing succession problem and less than 20% of their children are willing to succeed to their parent's businesses.
Evidence provided from this multiple case study has practical implications to first-generation and second-generation family entrepreneurs. It is quite common to find that first-generation family entrepreneurs always have value conflict with their next-in-kin in terms of how to own and manage their family businesses. Most of the second-generation family entrepreneurs in this case study are very educated and they can be critical about some of the traditional culture values and business practices. This case study can inspire first and second-generation family entrepreneurs that both have to recognise their differences such as the business environment they operate their family businesses and the influence of Confucian ethics which guide them their behaviour. Empathy and understanding between both generations can ensure a smooth business succession. The establishment of an ownership governance mechanism can also assist them in navigating the complexity of family business from generation to generation.

Executives from multinational corporations should understand that the Chinese world is culturally diverse in spatial and temporal context. Family entrepreneurs from different generations have similar and different value sets and entrepreneurial practices. When undertaking international assignments in the Chinese world, it is not feasible for them to stereotype family entrepreneurs as a single group that do not vary in their adherence to traditional Confucian values and entrepreneurial practices. The entrepreneurial practices adopted by family entrepreneurs are a representation of the influences of different exogenous and endogenous forces in different contextual realities. They still retain traditional Chinese traditional values but their entrepreneurial practices have shifted from being family-rulled and managed to become more professionally managed family rules. This study can be valuable to executives from the west to have a better understanding of the evolving entrepreneurial practices of Chinese family
entrepreneurs while they have ample opportunities to deal with them.

This study has practical implications to policy makers in mainland China. Institutional economists suggest that institutional contexts are main drivers of entrepreneurial practices. In other words, entrepreneurial practices can reflect the institutional conditions, including social system institutions, regulatory and legal systems, in which they emerge (North, 1990; Barley and Tolbert, 1997). The enforcement of birth-control programme has propelled family entrepreneurs to adopt new form of entrepreneurial practices to recruit non-family professional managers. Besides, the one-child policy can reduce the size and significance of patrilineal lineage and eliminated gender-based inequality.

However, the impact of one-child policy can be particular significance to the life cycle of family firms and impact traditional deeply-embedded family values such as filial piety and long-term commitment from family members towards their businesses. It has been noted that family entrepreneurs has contributed a lot to the unprecedented economic transition of mainland China for the previous three decades, Necessary measures should be taken by policy makers to ascertain how to uphold traditional Chinese culture values and more importantly, potential relaxation of one-child policy and improvement of high-education system to warrant quality supply of human capital to the development of family firms in mainland China.

Moreover, the uncertain institutional environment has reminded a key concern to second-generation family entrepreneurs from Hong Kong. The transparent and well-establishment legal and regulatory system in Hong Kong is still in stark contrast to mainland China. Since family entrepreneurs from Chinese Diaspora
societies are still playing a leading role in economic development in mainland China, policy makers are recommended to continue to introduce reforms in judiciary and governance system to create a level-playing field in this highly globalised economy in the twentieth-first century.

5.5 Limitations and Implications for Future Research

The researcher recognises limitations of the research and caveats to consider in this study.

As to research methodology, the sampling method adopted in this multiple case study research is purposeful, relying on the researcher’s social networks in Hong Kong and cities in mainland China to identify respondents who are willing to provide details about how they own and/or manage their family businesses so that representativeness cannot be applied to this case study research. Snowball sampling can introduce the problem of selection bias (Davidsson, 2008) but according to Kriz (2004) and Kriz and Keating (2010), snowball sampling has been proved an acceptable and effective sampling strategy in Chinese business research when high degree of trust is integral to get in the potential respondents. In this study, the researcher has strived to mitigate the selection bias problem by adopting four access points in two Chinese societies. Moreover, the sample frame as stated in section 3.5.3 serves as a guide not to include potential respondents who are not willing to provide in-depth information and arrange company inspection.

The key value of this multiple case study research is to generate in-depth instead
of breath of information so that representativeness of the sampling population is not imperative to undertake this study. In order to have a holistic understanding of entrepreneurial practices of second-generation family entrepreneurs in Diaspora and mainland Chinese societies, further research can include potential respondents from other Diaspora Chinese societies such as Singapore, Taiwan, Malaysia, Thailand and other cities in mainland China.

Second, the researcher has not gathered data from other family members and senior executives who work together with the respondents in owning and/or managing the family businesses. The researcher cannot disregard the possibility that other actors within the family business can have influence on entrepreneurial practices of the respondents (Gersick, Davis, Hampton and Lansberg, 1999; Douglas, 2004; Gersick, Lansberg, Desjardins and Dunn, 2005; Davidsson, 2008). Moreover, the direct observations of respondent’s company in this research do not collect rich data to know well all key individuals involved and record what they view about second-generation family entrepreneurs. The adoption of participant or structured observation in data collection (Neergaard and Ulhoi, 2007) can allow the researcher to have a more holistic understanding of daily business life of the respondents and how other actors within the family business view about them.

Third, data pertinent to secondary documents include company brochures and reports, industry reports, and other research reports from external bodies. The researcher has not accessed to other company documents such as minutes of meeting and other published works (i.e. notice to employees) that can enrich potential understanding of entrepreneurial practices of second-generation family entrepreneurs. Since the key research objective is to generate a holistic understanding of entrepreneurial practices of second-generation Chinese family
entrepreneurs on the basis of what they note, interpret, and assess, the researcher
and the unit of analysis of this multiple case study research is second-generation
family entrepreneurs instead of family business, the lack of such secondary
documents does not confound the centrality of this research value.

5.6 Main Conclusions

The research findings in this study indicate qualitative variations in
entrepreneurial practices of second-generation family entrepreneurs in Hong Kong
and mainland China as opposed to their first-generation counterparts. The study
proposes to adopt a multidimensional approach to the investigation of Chinese
Entrepreneurial Familism as the extant culturist perspective can merely provide a
partial understanding of what is going on behind the bamboo curtain of Chinese
Entrepreneurial Familism. The culturist perspective should be reinterpreted and
refined in which institutional environment, socio-economic changes, different
development phases of family firms as well as generational changes can generate
ceaseless interplays between cultural ecology and culture learning of
entrepreneurial values and practices. The adoption of an emic perspective of
family entrepreneurship can unfold rich details in terms of complexity and
diversity of entrepreneurial practices within a single national culture.

The research findings in this study also draw special attention to executives from
the western world not to adopt a bipolar view while they have to undertake
international business assignments in the Chinese world. The diversity of
entrepreneurial practices of second-generation family entrepreneurs is a
representation of unique cultural phenomenon influenced by traditional cultural values and interwoven phenomenon due to the evolving contextual realities in the twentieth-first century. Differences of entrepreneurial practices “can be eroded by the pressure of technology and globalisation of knowledge and markets”. (Minkes and Foster, 2011: 158) There is danger in the purely bipolar view to stereotype Chinese family entrepreneurs that they are passive recipients of traditional Chinese cultural values and naturally resistant to best business practices from the West.

Chinese Entrepreneurial Familism will continue to undergo several metamorphoses during different intergenerational shifts which can generate the need for additional studies in this research domain. This multiple case-study is the first important step to have a better understanding of Chinese Entrepreneurial Familism to future researchers for such an investigation and could potentially inform theoretical developments of a general theory of Chinese Entrepreneurial Familism in Diaspora and mainland Chinese societies.

(41,968 words)
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Appendices
Appendix 1

Interview Protocol
Exploring Entrepreneurial Familism in Hong Kong and Mainland China: Second-Generation Family Entrepreneurs

Interview Protocol & Schedule

Interview Protocol

Instructions to the Interviewer

1. This interview protocol & schedule is administered by the researcher for conducting face-to-face interviews with second-generation family entrepreneurs in Hong Kong and mainland China.

2. This interview protocol & schedule contains a series of open-ended questions (there are some closed-end question in the personal and family business background sections) that permit research participants to share their experience and views on traditional cultural values and entrepreneurial practices with the interviewer.

3. The number of closed-and-open-ended questions is deliberately constrained to accommodate a 2.5 hour interview. The languages for conducting the interviews in Hong Kong and mainland China are Cantonese Chinese and Mandarin Chinese respectively.

Arranging the interview:

1. The researcher sends invitational emails together with the Information Statement to potential research participants. When a potential participant indicates his/her willingness to participate via return email, the researcher contacts the research participant to arrange a date, time, and location for an interview. A copy of the Consent Form will be forwarded to the research participant and the researcher should remind the research participant to sign the Form prior to the interview.

2. Interviews should be held in a quiet and enclosed room to avoid having distractions and interruptions. Water should be available because the interview takes a relatively long time to complete. The researcher can seat facing the
research participant at a conversational distance.

3. Ensuring that the recording device has sufficiently battery power and is operational.

**Conducting the Interview**

1. The researcher should make the research participant feel welcomed and relaxed. Smile, shake hands, and give a brief self-introduction.

2. The researcher can use the research participant’s family name to show respect for him/her because all of the research participants are senior executives and/or owners of their family businesses in Hong Kong and mainland China.

3. The researcher should ensure that the researcher participant signs the Consent Form prior to the interview.

4. The researcher can engage in small talk to put the research participant at ease and build rapport.

5. The researcher should remind the research participant that the interview takes approximately 2.5 hours to ensure that he/she is ready to devote his/her time to be interviewed.

6. The researcher should indicate the key objectives of the interview and make it clear which topics/questions will be addressed.

7. The researcher explains again to the research participant that all information collected from him/her will be strictly confidential and neither the research participant nor his/her family business information will be named or to be identified from any reports or papers.

8. The researcher explains again to the research participant that the interview is recorded on audio tape and he/she can ask for the tape to stopped and edited or erased. The researcher should tell the researcher participant when he starts and stops the recorder.

9. The researcher should inform the research participant that he will also take notes during the interview

10. The researcher should explain to the research participant again that he/she has no obligation to answer any questions that he/she do not wish to do.

11. The researcher should explain to the research participant again that he/she can withdraw from the interview at any time and do not have to give any reason
for withdrawing. All data relating to the research participant will be withdrawn and destroyed.

12. During the interview, the researcher can give regular signals to the research participants that he is interested in the interview he is conducting. Signs of interest can include eye contact, smiling, nodding, and maintaining open body language.

**Closing/After the Interview**

1. The researcher should summarise main issues discussed during the interview. The researcher should let the research participant knows the next course of action to be taken after the interview (i.e. interview transcript review and editing by the research participant).

2. The researcher thanks the research participant for his/her time.

**Interview Schedule**

Name______________________________
Title ______________________________
Date ______________________________
Time ______________________________
Location __________________________
Interviewed by ______________________

**Open Message**

As you know, you are cordially invited to participate in a study that is being conducted by me from the Faculty of Business and Law of University of Newcastle. I am now conducting this study as part of his Doctor of Business and Administration Degree under the supervision of Dr. David Clark-Murphy. This
study is to understand Chinese family entrepreneurial practices by identifying second-generation family entrepreneurs in Hong Kong and mainland China to participate in this research project. Since you are a second-generation family member of the founding entrepreneurs and currently in a key position of your family business, you are eligible for the participation of this research.

It should take you approximately 2.5 hours for this face-to-face interview. The interview will cover a series of questions relating to your personal and family business background information, your views on traditional cultural values, and your experience and views towards entrepreneurial practices in three key aspects, including family, ownership, and business. You have no obligation to answer any questions that you do not wish to do.

13. With your permission, I will be tape recording the interview and the tape recording and will tell you when I start and stop the recorder. You can ask for the tape to stopped and edited or erased. I will also take notes during the interview.

You can withdraw from the interview at any time and do not have to give any reason for withdrawing. All data relating to you will be withdrawn and destroyed.

Topics to address in this interview are as follows:

1.0. Your personal background
2.0. Your family business background
3.0. Your views on traditional Chinese cultural values
4.0. Your experience and views on your family business – Family axis
5.0. Your experience and views on your family business – Ownership axis
6.0. Your experience and views on your family business – Business axis

The anonymity of your name and your family business is guaranteed in this research and the confidentiality of your responses is assured as only me and the project supervisor will have access to all data to be collected from this interview.

Do you have any questions before I begin?
(Start the recorder)

Let me start by asking some questions about your personal and family business background)

1.0 Your personal background

1.1 Age  20-30  31-40  41-50  51-60

1.2 Sex  M/F

1.3 Marital Status: Single/Married or Partner/Divorced

1.4 Education:

   (a) Primary School
   (b) Secondary School
   (c) Vocational School
   (d) University Bachelor
   (e) University Master
   (f) University PhD
   (g) Others (i.e. executive programme)

1.5 Have you studied abroad? If yes, in which country and how long did you study?

   (If interviewee answers “yes”, ask question why interviewee decided to study abroad. If interviewee answers “no”, probe on his/her intention to study in his/her home country)
1.6. What is your position in your family business?

(a) Chairman/Deputy Chairman/Chief Executive Officer/Executive Director
(b) General Manager/Deputy General Manager
(c) Others

(Probe if interviewee has more than one position in the family business. i.e. Executive Director in a subsidiary and General Manager of the holding company)

1.7 How long have you held this position? ________Years

1.8 How long have you served your family business? ________Years

(Probe on work history of the interviewee in the family business. i.e. how did he/she start working for the family business)
1.9 What are your current duties and responsibilities in your family business?

1.10 What is your relationship with the founding family entrepreneur (i.e. father and son)?

(Probe if interviewee is not direct family member of the founding entrepreneur)
1.11 What is the size of your family (direct and extended)?

(Prompt: interviewee to describe his/her relationship with direct and extended family members)

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2.0 Your family business background

2.1 What are the business nature and activity of your family business (i.e. manufacturing or service in which geographic markets)?

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2.2 For how long has the family business been founded? ________Years?

(Prompt: ask the interviewee to give a brief history of the family business from
start-up phase to nowadays)

2.3 What is the approximate annual sales revenue (mil) of the family business (HKD/RMB)?

2.4 What is the approximate number of employees in the family business? (Prompt: managerial and non-managerial staff)
2.5 What is the legal form of the family business?

(a) Private limited liability company
(b) Public limited liability company
(c) Private unlimited liability company

(Transition to the next topic: Confucian values)

3.0 Your views on traditional Chinese cultural values

3.1 Please elaborate the following Chinese cultural values:-

(Probe the interviewee if he/she has any religious or philosophical belief)

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Five cardinal relationships:
(Probe the interviewee to pick up one event, issue, or whatever that occurred to him/her to tell the researcher about their views on the following five cardinal relationships respectively)

(a) Father and son

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(b) Ruler and ruled

(c) Husband and wife

(d) Elders and juniors
Five cardinal behaviours:
(Probe the interviewee to pick up one event, issue, or whatever that occurred to him/her to tell the researcher about their views on the following five cardinal behaviours respectively)

(a) Propriety (li)
(b) Humanness or benevolence (ren)

(c) Trustworthiness (xin)

(d) Righteousness (yì)
(e) Wisdom (zhì)

(Transition to the next topic: Family Axis)

4.0 Your experience and views on your family business – Family axis

4.1 Is there any family member who works in the family business? If yes, what is his/her position and your family relationship with him/her (including direct and extended family members)?
4.2 What is your view towards traditional Chinese family values:
(Probe the interviewee to pick up one event, issue, or whatever that occurred to him/her to tell the researcher about their views on the following five cardinal behaviours respectively)

(a) Family harmony

(b) Obedience and respect of elders
(c) Loyalty

(d) Extended family

(e) Gender role
(f) Family education

4.3 What is your view towards male management succession planning? (Probe the interviewee’s experience and/or view on management succession)
4.4 Do you agree to sacrifice your personal interest for the family business and why? (Prompt: ask the interviewee to give examples)

4.5 Do you think that you have personal obligations to your parents and other family members to keep and prosper the family business for long? (Prompt: ask the interviewee to give examples)

4.6 Do you think that your immediate family members should succeed to the
family business in the future and why?
(Probe the pros and cons of having immediate family members to succeed to the family business)

(Transition to the next topic: Ownership Axis)

5.0 Your experience and views on your family business – Ownership axis

5.1 What is the shareholding structure of the family business?
(a) First-generation family entrepreneur __________% of shares
(b) Second-generation family entrepreneur __________% of shares
(c) Other family members ______% of shares
(d) Other non-family members __________% of shares

5.2 What is the composition of the board of directors in your family business? Are family members the majority of the board of directors?
(Prompt: including executive and non-executive directors)
5.3 Has first-generation family entrepreneur formulated division and transfer of family business ownership plan to the family members and how?
(Prompt: If the answer is “no”, probe the interviewee’s view on thorny issue of sibling rivalry in ownership succession)

5.4 Is the joint distribution principle of family business ownership inheritance to male descent applicable and why?
5.5 What are your views towards institutionalization of family business ownership (family office, family council, and family constitution)?

(Prompt: might need to give an explanation of this formal system of ownership governance if he/she is not familiar with it)

5.6 Do you think that family members should have the majority (ownership concentration) of the family business ownership in total and why?
5.7 Should ownership and management be separated and why?

(Probe the interviewee’s view on pros and cons of separation of management and ownership)

(Transition to the next topic: Business Axis)

6.0 Your experience and views on your family business – Business axis

6.1 How do you identify business opportunities and assess risks in the marketplace (business relationship networks or formal market research)?

(Prompt: ask the interviewee to give examples)
6.2 Do you trust your family members more than non-family professional managers and external investors and why?

(Probe the interviewee’s experience with hiring of professional managers and joint venture investment with external investors)
6.3 What sets of values and beliefs and forms of behaviour you believe to be typical of a good employer and employee (loyalty, hardworking, compliance, respect for hierarchy and tradition, ethical standard, learning)?
(Prompt: ask the interviewee to give examples)

6.4 What are the main internal (i.e. financial and human capital) constraints or bottlenecks affecting you to keep and grow the family business and how can you deal with them?
(Prompt: ask the interviewee to give examples)
6.5. What are the main external (i.e. market competition and government regulations) constraints or bottlenecks affecting you to keep and grow the family business and how can you deal with them?

(Probe the interviewee’s view on and experience with the importance of guanxi to secure market share and overcome regulatory uncertainty)
(Transition to the next topic: Others)

7.0 Others

7.1 How can you distinguish between you and first-generation family entrepreneur in terms of the following entrepreneurial practices:

(Prompt: this is a question to identify homogeneity and heterogeneity of first-generation and second-generation family entrepreneurs from the interviewee perspective)

(a) Family
7.2 Do you think family business will not be as influential and prevalent in the future and why (there is a Chinese saying that family wealth does not survive three generations)?
7.3 What are key success factors to keep and prosper your family business?
Closing Message

Well it has been my pleasure finding out more about you, your family business, and your experience and views on entrepreneurial practices. Let me briefly summarise the information that I have recorded during the interview. I will also give you a copy of the interview transcript for your kind review.

You have been very generous with your time and your insights, and I appreciate the time you took for this interview. During the next few weeks, I will analyse your company information and listen to the interview to look for patterns and practices of second-generation Chinese family entrepreneurs. Sometime during Q3 of this year, I am very pleased to present some of my initial findings and get your feedback.

Again, many thanks and I wish you a happy and successful family and business life.
访谈协议及计划

访谈协议

访谈人操作指南

1. 本访谈协议书为研究生直接管理及执行，面对面访谈香港及中国大陆的第二代家族企业家。

2. 本访谈协议书安排包含一系列开放式问题（同时也有一部分为有关个人和家庭背景的封闭式问题），使参与者能充分与访谈人分享他们对传统文化价值观念和创业实践的经验和观点。

3. 开放式和封闭式问题的总量，被特意控制在 2.5 小时的访谈时间。在香港和中国大陆的访谈分别采用粤语和普通话进行。

访谈安排

1. 研究生透过电子邮件对潜在参与者发送研究项目邀请函和声明书。当潜在参与者回复电子邮件表明他/她的参加意愿后，研究生将主动与参与者联系安排访谈的日期、时间、和地点。一份同意书也将被转发到的参与者，研究生在访谈正式开始前应该提醒参与者签署该同意书。

2. 访谈将于一个安静和封闭的场所里举行，避免干扰。因为访谈需要较长的时间来完成，届时现场将提供饮用水。研究生可就座于面向参与者的位子并保持一个适当的会话距离。

3. 确保该记录装置具有足够的电池电源和操作正常。

进行访谈

1. 研究生应当尽量使参与者感到欢迎和放松。微笑，握手，并给一个简短
的自我介绍。

2. 研究生可以使用的参与者的姓氏以示对他/她的尊重，因为所有的参与者都是来自于香港和中国大陆家族企业的高级管理人员和/或业主。

3. 研究生在访谈正式开始前，应该确保参与者已签署此次访谈的相关同意书。

4. 研究生可以谈谈家常，帮助参与者放松并建立彼此的关系。

5. 研究生应提醒研究参与者本研究访谈大约需要 2.5 小时，以确保他/她准备把他/她的时间贡献于此次访谈。

6. 研究生应表明访谈主要目的和明确访谈探讨主题。

7. 研究生再次向参与者声明所有从参与者这收集的资料将保持机密，而他/她的个人和家庭企业信息将不会被撰写或从任何报告/论文中识别出来。

8. 研究生再次对参与者说明本访谈将通过录音记录下来，他/她可以要求对录音停止，编辑或删除。研究生应该通知参与者，他已开始和停止录音。

9. 研究生应告知参与者，他将在访谈的过程中做笔记。

10. 研究生应对参与者解释，他/她没有责任对他/她不想回答的任何问题做出回应。

11. 研究生应对参与者解释，他/她可以在任何时间退出本访谈，不需要提供任何理由。所有参与者相关的数据将被收回及销毁。

12. 在访谈过程中，研究生可以定期给参与者些信号，表示他对他/她的访谈内容的兴趣。其中包括眼对眼的接触，微笑，点头，以及保持开放式的身体语言。

结束访谈/访谈后

1. 研究生对访谈讨论的问题进行总结。研究生应该让参与者知道访谈后接下来的过程（如访谈结果表审查和参与者对本次研究记录进行编辑）。

2. 研究生对于参与者贡献他/她宝贵的时间表示忠心的感谢。
访谈计划

姓名_________________________________
头衔_________________________________
日期_________________________________
时间_________________________________
地点______________________________
访谈人_________________________

开始信息

如你所知，我们诚挚地邀请您参加由 Hubert Shea 从纽卡斯尔大学工商管理研究院，所发起的其工商管理博士学位的研究。此次开展的研究课题，将在 Dr. David Clark-Murphy 博士的监督下完成。这研究是透过剖析香港和中国大陆的第二代家族企业家，来了解中国家庭创业的实践做法。基于您是一位创始企业家的后代，而目前又是家族企业里，执掌关键地位的第二代家庭成员，你有资格参与这项研究。

本次采取的面对面访谈约为 2.5 小时。访谈重点将包含一系列问题有关您个人和家庭背景的企业信息，你对传统文化价值的观点，和您的企业的实践做法等三个关键层面，包括家庭，所有权，和业务。你没有责任对于你不想回答的任何问题做出回应。

如果你允许，我将对此次访谈进行录音，并通知您录音的开始和停止。你可以要求对录音停止，编辑或删除。在访谈过程中，我也将做些笔记。
你可以在任何时间退出本访谈，不需要提供任何理由。所有参与者相关的数据将被收回及销毁。

访谈探讨主题如下：-

1.0. 个人信息
2.0. 家族企业信息
3.0. 个人（中国文化）价值观
4.0. 个人对家族企业的经验和意见 – 从家庭角度出发
5.0. 个人对家族企业的经验和意见 – 从所有权角度出发
6.0. 个人对家族企业的经验和意见 – 从企业经营角度出发

在这项研究中我们将采用匿名方式来保证，对于您个人姓名和您的家族生意的机密性，同时，所有从这个访谈收集到的数据也将只有调查员和他的导师有权读取。

请问在我开始前，您有任何问题吗？

(开始录音)
（我们先从有关您的个人及家庭企业背景的问题开始）

1.0 个人信息

1.1 年龄  20-30  31-40  41-50  51-60

1.2 性别  男 / 女

1.3 婚姻状况  单身 / 已婚 / 离异
1.4 教育背景:
(a) 小学
(b) 中学
(c) 技能学校
(d) 大学本科
(e) 大学硕士
(f) 大学博士
(g) 其他（例如：高管培训）

1.5 您是否有留学背景？是的话，在哪（几）个国家学习过多久？
（如参与者回答“是”，询问为什么会决定去留学。如回答“不是”，探讨下他/她在本国学习的目的）

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1.6. 您在家族企业内担任什么职位？
(a) 董事长/副董事长/总裁/执行董事
(b) 总经理/副总经理
(c) 其它
（询问参与者是否在家族企业中担任一个以上的职位。例如，子公司的执行董事和控股公司的总经理）
1.7 您担任此职位多长时间？________年

1.8 您已在家族企业内的总任职年限？________年
（询问参与者在家族企业中的工作经历。例如，他/她是怎样开始为家族企业工作的）

1.9 您目前在家族企业的职责和责任是哪些？
1.10 您同第一代家族企业创始人的关系是？（比如：父子关系）
（如参与者不是家族企业创始人的直系亲属，进一步探讨）

1.11 您的家族大小（直系和旁系）
（提示：参与者描述他/她和直系以及旁系家族成员的关系）
2.0 家族企业信息

2.1 您的家族企业性质和经营活动是什么？（例如，制造或服务业于哪些地域市场）？

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2.2 您的家族企业存在年限？_______年
（提示：让参与者简短介绍下家族企业从创办开始到现今的经历）
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2.3 您的家族企业年收入大概是多少（百万）（港币/人民币）？

2.4 您的家族企业约有多少员工？
（提示：管理阶层和非管理阶层员工）

2.5 您的家族企业法律形态为：
(a) 私人有限责任企业
(b) 上市有限责任企业
(c) 私人无限责任企业

（过渡到下一个主题：儒家价值观）

3.0 个人中国文化价值观

3.1 请详细说明，下面的中国文化价值观：
（询问参与者是否为儒家思想的倡导者。是否有其他的宗教信仰或哲学上的信仰）
五伦关係:

（询问参与者给出一个对于以下五伦关係有切身体会的例子）

(a) 父亲和儿子

(b) 统治者和被统治者
(c) 丈夫和妻子

(d) 长辈和晚辈

(e) 朋友和朋友
五伦行为：
（询问参与者给出一个对于以下五伦行为有切身体会的例子）

(a) 礼

(b) 仁
(c) 信

(d) 义

(e) 智
（过度到下一个主题：家庭角度）

4.0 个人对家族企业的经验和意见 - 从家庭角度出发

4.1 是否还有其他家庭成员在企业内任职？如有，同您的职位关系和家庭关系是什么？（包含直接的和旁系的家族成员）？

4.2 您对传统家庭观念的看法是什么？
（询问参与者给出一个对于以下家庭观念有切身体会的例子）
(a) 和谐

(b) 服从和尊重

(c) 忠诚
(d) 大家族

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(e) 性别角色

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(f) 家教

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4.3 您对男性继任者的规划持有何种观点？
（询问参与者的管理继承经验）

4.4 您是否会为家族企业牺牲个人利益？为什么？
（提示：请参与者举例）
4.5 您认为自己是否肩负对父母及其他家庭成员的维系并壮大家族企业的责任？（提示：请参与者举例）

4.6 是否认为您的直系亲属应该在将来继承家族企业？（询问有直系亲属的家族企业的利弊）
过度到下一个主题: 所有权角度

5.0 个人对家族企业的经验和意见 – 从所有权角度出发

5.1 您的家族企业的股权结构为？
   (a) 第一代家族企业创始人% 的股份
   (b) 第一代企业继承人% 的股份
   (c) 其他家庭成员% 的股份
   (d) 其他非家庭成员% 的股份

5.2 您的家族企业董事会组成？董事会的构成是否大多数为家庭成员？（提示：包括执行董事和非执行董事）

5.3 您家族企业的第一代创始人是否和如何曾经计划分治股权并转移部分所有权给其他家庭成员？（提示：如果答案是“否”，询问参与者对于后代竞争所有权继承的看法）
5.4 男性后裔共同继承家族企业所有权的共同继承原则适用吗？为什么？
5.5 对家族企业所有权治理（家庭办公，家庭议会和家庭宪法）的制度化
您的看法？（提示：如果他/她不是很熟悉，可能需要给个正式的所有权治理
制度的解释）

5.6 您是否认为家庭成员应该持有家族企业的大部分股权和为什么？
5.7 您的家族企业经营和所有权是否分开？为什么？
（询问参与者对于经营权与所有权分离的优点和缺点的看法）

（过渡到下一个主题：企业经营角度）

6.0 个人对家族企业的经验和意见 - 从企业经营角度出发

6.1 您如何识别商业机会和评估市场风险？（商业关系网络或市场研究）？
（提示：请参与者举例）
6.2 相比非家族成员的职业经理人，您是否更加信任家庭内成员？ 为什么？
（询问参与者对于聘请专业管理人员和让外来投资者参与成立合营企业的经
验）
6.3 您认为有哪些主要的价值/信念/行为是一个好的雇主和一个好的雇员所具备的（忠诚，勤奋，合规性，层次结构和传统的尊重，道德标准，学习）？
（提示：请参与者给予例子）

6.4 有哪些主要的内部（如：财务和人力资本）限制或瓶颈影响您持续经营并发展壮大家族企业，你会如何处理？
（提示：请参与者给予例子）
6.5. 有哪些主要的外部（如：市场竞争和法律、法规）限制或瓶颈影响您持续经营并发展大家族企业，你会如何处理？
（询问参与者对于通过关系来确保市场份额，并克服体制的不确定性的意见和经验及其重要性）
7.0 其他

7.1 您认为自己同第一代家族企业创始人的主要差异在：
（提示：这是一个问题，从参与者的角度来探讨及确定第一代和第二代家族企业家的同质性和异质）

(a) 家庭

(b) 所有权
7.2 您是否认为未来家族企业的普遍性和影响力会较以往消减？和为什么（中国有一句老话富不过三代）？
7.3 您的家族企业成功关键因素？

(停止录音)

结语

真是我的荣幸了解了更多关于你的家庭，你的生意，和你的创业实践经验和意见。让我简要地总结我在访谈中所记录的信息。我也将提供给你一份访谈的结果表供你审查。

我很感激您慷慨分享了宝贵的时间和见解。在接下来的两个月内，我将透过分析您的公司信息和听取访谈中的内容寻找和了解中国第二代家族企业家的模式和做法。在今年第三季度的某个时候，我将非常荣幸的提出我的一些初步结果，并希望得到您的反馈。再次感谢，并祝福您和您的家庭/事业成功快乐。
Appendix 2

Consent Form
Appendix 2 Consent Form

For further information:
Dr. David Clark-Murphy
Faculty of Business and Law
University Drive
Callaghan, NSW 2308, Australia
+61-4-1894-4223
d.clarkmurphy@westnet.com.au

Mr. Hubert Shea
Suite 3001, Plaza 66
1266 Nanjing West Road, Shanghai 200040, China
+86-138-1818-0798
h.shea@lvmh.com.hk

Consent Form for the Research Project:
Exploring Entrepreneurial Familism in Hong Kong and mainland China:
Second-Generation Family Entrepreneurs
 dated 01 May 2013
I agree to participate in the above research project and give my consent freely.

I understand that the project will be conducted as described in the Participant Information Statement, a copy of which I have retained.

I understand that I can withdraw from the project at any time and do not have to give any reason for withdrawing. During the interview I can ask for the tape to be stopped and edited or erased. I may also review the transcript of the interview and edit my contribution. If I decide to withdraw, all data related to me will be withdrawn and destroyed.

I consent to:
1. Participate in an interview of approximately 2.5 hours
2. The interview being recorded onto a digital recorder.
3. Provide published company documents and allow the Research Student to have a 30-45 min inspection of your company in order to improve his basic understanding of your business.
4. Allow the Research Student to take photos of your business

I understand that my personal information will remain confidential.

I have had the opportunity to have questions answered to my satisfaction.

Print name: ____________________________________________

Signature: __________________________ Date: ______/______/______
Contact telephone number: ________________________

(Chinese translation)

研究项目同意书:
探讨香港和中国大陆创业家族：第二代家族企业家
2013 年 5 月 1 日

出自个人意愿，我同意参加上述研究项目。

我已了解该研究项目将依照参与者信息声明中所描述的进行，而其中一份已经交予我保留。

我已了解我有权利在任何时间段选择退出此研究项目，并不需要给予任何理由。在访谈过程中，我可以要求对录音的停止和进行必要的编辑或删除。如果我决定退出，所有相关的数据将被收回及销毁。

我同意：
1. 参加约 2.5 小时的访谈。
2. 访谈将被电子录音机记录下来。
3. 您将被请求提供贵公司公开资料和允许本研究学生一个 30-45 分钟的企业参观时间，从而提升他对贵公司的基本了解。
4. 允许研究生对你的生意/业务进行拍照。

我申明，我知道我的个人资料将保持机密。

针对我的疑问，我已被给予充足的机会来得到我满意的回答。

姓名：

签字：
日期： ___/___/______

联系号码：

若需要进一步资料:
Dr. David Clark-Murphy
Faculty of Business and Law
University Drive
Callaghan, NSW 2308, Australia
+61-4-1894-4223
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Appendix 3

Information Statement
Appendix 3 Information Statement

Information Statement for the Research Project:
Exploring Entrepreneurial Familism in Hong Kong and mainland China:
Second-Generation Family Entrepreneurs
01 May 2013

You are invited to participate in the abovementioned research project that is being conducted by Mr. Hubert Shea, a Research Student from the Faculty of Business and Law at the University of Newcastle. Hubert Shea is conducting this research as part of his Doctor of Business and Administration Degree under the supervision of Dr. David Clark-Murphy.

Why is the research being done?
This research aims at investigating entrepreneurial practices of second-generation family entrepreneurs in three key aspects, including family, ownership, and business, in Hong Kong and mainland China. Previous research has demonstrated that entrepreneurial practices of Chinese family entrepreneurs have been highly influenced by traditional Confucian values but due to rapid pace of modernisation for the previous two decades, it is valuable to understand the impact of traditional cultural values on entrepreneurial practices of Chinese family businesses to enhance international business negotiations.

Who can participate in the research?
The researcher sets out inclusion and exclusion criteria of the research participant:

Inclusion criteria:
1. He/she should occupy key position (i.e. general manager, SVP, Director) in the family business;
2. He/she should have family relationship with first-generation family entrepreneur (father/mother and son/daughter);
3. He/she be either Hong Kong or mainland Chinese;
4. Sales revenue of the family business should be at least USD50mil per annum; and
5. He/she should own and/or manage their family businesses founded by their first-generation family members.

Exclusion criteria:
1. He/she is first-generation family entrepreneurs;
2. He/she has no family relationship with first-generation family entrepreneurs; and
3. His/her family business has no business establishment in Hong Kong and/or mainland China.

What choice do you have?
Participation in this research is entirely voluntary. You are under no obligation to participate and there is no existing power relationship with the Research Student or his intermediary. Even if you indicate your interest in participating in the research and go further to sign the consent form, you may withdraw from the research at any time. If you decide to withdraw, all data related to you will be withdrawn and destroyed. Your decision whether or not to participate will not disadvantage you in your current or future relationship with the University.

What you are being asked to do?
If you agree to participate in this research, you will be sent a copy of the consent form and contacted to arrange a date, time and location for an interview. Immediately prior to the interview, you will be asked to sign the consent form.

The interview will take approximately 2.5 hours. During the interview you will be asked a series of questions about Chinese traditional cultural values and entrepreneurial practices based on your view and experience. The interview will be recorded on audio tape and later transcribed by the Research Student. During the interview you can ask for the tape to be stopped and edited or erased. You will also have the opportunity to review the transcript of your interview and edit your contribution if you wish. You will also be required to provide published company documents such as company annual reports and marketing pamphlets and allow the Research Student to inspect one of your retail shops or manufacturing/production plant after the interview in order to improve his basic understanding of your business such as products/services of your business. The Research Student will take photos of your key products/services/work processes of your business.

How much time will it take?
The interview will take approximately 2.5 hours to complete. You will be able to take a break during the interview if needed. Company visit after the interview will be around 30-45 mins.

What are the risks and benefits of participating?
There is a slight risk of inadvertent indirect identification of individual participants through the publication of comments. However, comments taken from the interview,
and any photographs or documents relating to you or your company will only be used with your written consent. There are no direct benefits for any individual participant but this research will definitely help scholars and business practitioners to understand entrepreneurial practices of Chinese family entrepreneurs.

How will your privacy be protected?
All information received from you will be strictly confidential. Code numbers will be used in place of names throughout the research process. The original data (transcripts) will be in soft copy kept on password-protected PCs in the offices of the Project Supervisor and Research Student along with the interview recordings. Only the Project Supervisor and Research Student will have access to the data. The de-identified data will be kept for a minimum of five years and recordings and identifiable information will be destroyed after the analysis is completed.

How will the information collected be used?
The findings of this research will be in a thesis to be submitted for Hubert Shea’s DBA degree. It may be published in a scholarly publication but neither you nor your family business will be named or be able to be identified from the publication. It is anticipated that the report will be completed by or before Jul 2013. The Research Student will prepare and submit a summary of the results of the research for your further comments.

What do you need to do to participate?
Please read this Participant Information Statement and be sure you understand its contents before you decide to participate or not. If there is anything you do not understand, or you have questions, please contact the Project Supervisor or the Research Student. Once you have read and understood the statement and wish to proceed, please send a return email indicating your willingness to participate. Once this is received, we will reply to arrange a date, time and location for an interview. We will also email you a copy of the consent form so that you have time to further consider your participation. You will be asked to sign the consent form immediately prior to the interview.

Further information
If you would like further information please contact me or the Research Student at the address above. Thank you for considering this invitation.

Dr David Clark-Murphy
Project Supervisor

Hubert Y-T SHEA
Research Student

Complaints about this research:
This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-[2012-0366]. Should you have concerns about your rights as a participant in this research,
or you have a complaint about the manner in which the research is conducted, it may be given to
the researcher, or, if an independent person is preferred, to the Human Research Ethics Officer,
Research Office, The Chancellery, The University of Newcastle, University Drive, Callaghan
NSW 2308, Australia, telephone +61-2-4921-6333, email Human-Ethics@newcastle.edu.au. You
can also contact the Research Student in Shanghai of China at +86-13818180798 or email
h.shea@lvmh.com.hk for queries and complaints.
研究项目声明书:
探讨香港和中国大陆创业家族: 第二代企业家
2013 年 5 月 1 日

很荣幸的邀请您参加由 Hubert Shea 先生发起的研究项目，目前 Hubert Shea 先生是一名就读于纽卡斯尔大学商务法律学院的博士研究生。其正在 Dr. David Clark-Murphy 博士的指导监督下进行着此项课题研究。

为什么要做这个研究？
本次课题研究目的是从三个关键方面包括家庭，所有权，和业务来探讨在香港及中国大陆第二代家族企业家的创业实践。以往的研究表明，中国家族企业家的创业实践深受传统儒家价值观的影响，但是由于过去二十年快速的现代化步伐，在当今的中国经济环境下值得通过研究再一次的剖析、理解传统文化价值观对今天的中国家族企业的影响以及本研究对二代家族企业家的了解能进一步促进国际商业商务社会交流。

谁能参与此研究项目？
研究生提出了研究参与者的纳入和排除标准：

纳入标准：
1. He/She should be in a key position in the family business (e.g., General Manager, Senior Vice President, Director).
2. He/She should have a family relationship with the first generation of the family business owner (e.g., father/mother and son/daughter).
3. He/She has a Hong Kong or Chinese domicile.
4. The family business's annual sales revenue should be at least $50 million.
5. He/She should own or manage their first generation family member's family business.

Exclusion criteria:
1. He/She is the first-generation family business owner;
2. He/She has no family relationship with the first generation of the family business owner; and
3. His/Her family business does not have a branch in Hong Kong or mainland China.

What do you choose?
Participation in this research is voluntary. You have no obligation to participate and do not exist in any power relationships with the graduate student or any of their contacts. Even if you express an interest in participating in this research and sign a consent form, you still have the right to withdraw from this research at any time. If you decide to withdraw, all related data will be recovered and destroyed. Whether you participate in this research project will not affect your relationship with this university or its future.

What will you do?
If you agree to participate in this research, I will send you a consent form and make arrangements for an interview date, time, and location. Before the interview, you will be requested to sign the consent form.

You will conduct an interview with the student for approximately 2.5 hours. During the interview, you will be asked a series of questions about your own views and experiences on Chinese cultural values and business practices. This interview will be recorded全程录音, and the graduate student will transcribe it. During the interview, you can request the recording to be stopped or edited or deleted. You will have the opportunity to review the interview results and choose whether to participate in the editing of your valuable opinions and data. After the interview, you will be asked to provide your company's public material, such as annual reports and sales brochures, and allow the research student to visit your company's retail store or manufacturing plant to gain a basic understanding of your products/services. The graduate student will take photos of your products/services.

How long will it take?
The entire interview will take approximately 2.5 hours to complete, and you can request a break if needed. After the interview, it will take approximately 30-45 minutes to visit your company.

What are the risks and benefits of participating in this research project?
This research may result in an inadvertent breach of confidentiality, which may expose you to a minor risk. However, the opinions and comments you provide during the interview, and any photos or documents, will only be used with your explicit consent. This research will not provide any direct personal benefits to participants, but it will help scholars and the business界 understand Chinese family business practices.

How can your privacy be protected?

收到的所有信息将严格保密。代码在整个研究过程将被用来代替真实名称。原始数据（访谈记录）及访谈录音将保存在本研究项目主管和研究学生的个人办公室电脑并加上密码保护。只有项目主管和研究学生有权利读取该数据。以代码形式匿名的数据将被保存至少五年之久，而所有原始数据、记录和信息将在研究项目分析完成后及时摧毁、消除。

收集到的信息将如何被使用？
这项研究结果将作为 Hubert Shea 先生工商管理博士学位论文提交。它可能在学术刊物得到发表，但是你和你家族企业的信息都将保持机密。本论文预计将在 2013 年 7 月或之前完成。研究生将准备并提交一份研究的结果总结给到你，好供你做进一步的评论。

你需要做什么来参与本研究项目？
请阅读“参与者信息声明”和确保您了解它的内容，再决定是否参与此項研究。如果您有什么不明白的或有任何问题，请不要犹豫与我或研究生联系。一旦你已经阅读和理解上述声明并希望继续参与，请发送邮件表示愿意参加。如果你同意参与本研究，将给你寄一份同意书和联系安排采访的日期、时间和位置。受访前，你将被要求签署该同意书。

若需要进一步资料
如果您想了解更多信息可以透过上述地址与我或研究生取得联系。感谢您考虑这一邀请。

Dr. David Clark-Murphy 博士
研究项目主管

Hubert Shea
研究生

对研究相关的投诉：
该项目已通过大学人类研究伦理委员会的审批，批准号：[H-2012-0366]。如果你担心你作为研究项目参与者的权利，或者你要投诉研究项目的进行方式，可将您的投诉给予研究者，或者，另一个更适当的独立的人，提送到人类研究伦理的研究人员，办公室，总理府，纽卡斯尔大学，大学路，卡拉汉州 2308，澳大利亚，电话 +61-2-4921-6333，电子邮件 Human-Ethics@newcastle.edu.au。你也可以通过研究生在中国上海的联系电话 86-13818180798 或电子邮件 h.shea@lvmh.com.hk 进行查询和投诉。
Appendix 4

Invitational Email
Invitational Email for the Research Project:
Exploring Entrepreneurial Familism in Hong Kong and mainland China:
Second-Generation Family Entrepreneurs
dated 01 May 2013

Dear Sir/Madam,

You are invited to participate in the research project identified above which is conducted by Mr. Hubert Shea, a Research Student from the Faculty of Business and Law at the University of Newcastle. Hubert Shea is conducting this study as part of his Doctor of Business and Administration Degree under the supervision of Dr. David Clark-Murphy.

This aim of this research project is to investigate entrepreneurial practices of second-generation family entrepreneurs in three key aspects, including family, ownership, and business, in Hong Kong and mainland China. Previous research has demonstrated that entrepreneurial practices of Chinese family entrepreneurs have been highly influenced by traditional Confucian values but due to rapid pace of modernisation for the previous two decades, it is valuable to understand the impact of traditional cultural values on entrepreneurial practices of Chinese family businesses to enhance international business negotiations.

If you decide to participate, you will be asked to meet with the Research Student for a 2.5-hour interview. The interview will take place at a mutually agreed date, time, and location. During the interview, you will be asked a series of questions about Chinese traditional cultural values and entrepreneurial practices based on your view and experience. The interview will be recorded on audio tape and later transcribed by the
Research Student. During the interview you might feel uncomfortable answering some of the questions and you do not have to answer any questions that you do not wish to. You can withdraw from the interview at any time and do not have to give any reason for withdrawing. Moreover, you can ask for the tape to be stopped and edited or erased. If you decide to withdraw, all data related to me will be withdrawn and destroyed.

You will have the opportunity to review the transcript of your interview and edit your contribution if you wish. After the interview you will be required to provide published company documents and allow the Research Student to have a 30-45 min inspection of your company in order to improve his basic understanding of your business.

Participating in this research project is your decision and you are under no obligation to participate. The findings of this research will be in a thesis to be submitted for Hubert Shea’s DBA degree. It may be published in a scholarly publication but neither you nor your family business will be named or be able to be identified from the publication. It is anticipated that the report will be completed by Jun/Jul 2013.

All information received from you will be strictly confidential. Code numbers will be used in place of names throughout the research process. The original data (transcripts) will be in soft copy kept on password-protected PCs in the offices of the Project Supervisor and Research Student along with the interview recordings. Only the Project Supervisor and Research Student will have access to the data. The de-identified data will be kept for a minimum of five years and recordings and identifiable information will be destroyed after the analysis is completed.

Attached please find a copy of the Information Statement and please read this Participant Information Statement and be sure you understand its contents before you decide to participate or not. If there is anything you do not understand or you have any questions, please do not hesitate to contact me or the Research Student. If you have any questions about your rights as a research participant, you can also contact the Human Research Ethics Officer at the University of Newcastle via telephone number +61-2-4921-6333 or email Human-Ethics@newcastle.edu.au.

Once you have read and understood the statement and wish to proceed, please send a return email indicating your willingness to participate. If you agree to participate in this research, you will be sent a copy of the consent form and contacted to arrange a date, time and location for the interview. Immediately prior to the interview, you will be asked to sign the consent form.

Thank you for considering this invitation.

Dr. David Clark-Murphy
Project Supervisor
研究项目邀请函:
探讨香港和中国大陆创业家族：第二代家族企业家
2013年5月1日

尊敬的先生、女士：

很荣幸的邀请您参加由Hubert Shea先生发起的研究项目，目前Hubert Shea先生是一名就读于纽卡斯尔大学商务法律学院的博士研究生。其正在Dr. David Clark-Murphy博士的指导监督下进行着此项课题研究。

本次课题研究目的是从三个关键方面包括家庭，所有权，和业务来探讨在香港及中国大陆第二代家族企业家的创业实践。以往的研究表明，中国家族企业家的创业实践深受传统儒家价值观的影响，但是由于过去二十年快速的现代化步伐，在当今的中国社会经济环境下值得通过研究再一次的剖析、理解传统文化价值观对今天的中国家族企业的影响以及本研究对二代家族企业家了解能进一步促进国际商业商务社会交流。

如果你决定参加，您将与研究生进行一段2.5小时的访谈。访谈将在双方约定的日期，时间，地点发生。在访谈过程中，你将被问到一系列有关您自身对于中国传统文化价值观和企业实践的观点和经验的问题。本次访谈将采取全程录音，再由此研

若需要进一步资料:
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Callaghan, NSW 2308, Australia
+61-4-1894-4223
d.clarkmurphy@westnet.com.au

Mr. Hubert Shea
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+86-138-1818-0798
h.shea@lvmh.com.hk
研究生进行转录。在访谈过程中如有问题使您觉得不舒服，您有权选择不回答。你可以在访谈中的任何时间，不需要给任何理由退出此访谈。此外，你可以要求对录音的停止或进行必要的编辑或删除。如果您决定退出，所有相关的数据将被收回及销毁。

你将有机会审查本次访谈结果，并选择是否参与编辑您对本研究所提供的宝贵意见和资料。访谈后，您将被请求提供贵公司公开资料和允许本研究学生一个 30-45 分钟的企业参观时间，从而提升他对贵公司的基本了解。

参加这一研究项目是你的决定，再次声明你没有责任参与。这项研究结果将作为 Hubert Shea 先生工商管理博士学位论文提交。它可能在学术刊物得到发表，但是你和你家族企业的信息都将保持机密。

本论文预计将在 2013 6/7 月完成。收到的所有信息将严格保密。代码在整个研究过程将被用来代替真实名称。原始数据（访谈记录）及访谈录音将保存在本研究项目主管和研究学生的个人办公室电脑并加上密码保护。只有项目主管和研究学生有权利读取该数据。以代码形式匿名的的数据将被保存至少五年之久，而所有原始数据，记录和信息将在研究项目分析完成后及时摧毁、消除。

请查收附件的一份声明，请阅读“参与者信息声明”和确保您了解它的内容，再决定是否参与此项研究。如果您有什么不明白的或有任何问题，请不要犹豫与我或研究项目主管联系。如果您有任何对于研究参与者权益相关的疑问，您也可以联系纽卡斯尔大学人类研究伦理主任，通过电话号码 +61-2-4921-6333 或电子邮件 Human-Ethics@newcastle.edu.au。

一旦你已经阅读和理解上述声明并希望继续参与，请发送邮件表示愿意参加。如果你同意参与本研究，将给你寄一份同意书和联系安排采访的日期，时间和位置。受访前，你将被请求签署该同意书。

感谢您考虑这一邀请。

Dr. David Clark-Murphy 博士
研究项目主管
Appendix 5

Human Research Ethics Committee Approval
To Chief Investigator or Project Supervisor: **Doctor David Clark-Murphy**  
Cc Co-investigators / Research Students: **Mr Yiu Shea**  
Re Protocol: **Exploring Entrepreneurial Familism in Hong Kong and Mainland China: Second-Generation Family Entrepreneurs.**  
Date: **23-Apr-2013**  
Reference No: **H-2012-0366**  
Date of Initial Approval: **23-Apr-2013**

Thank you for your **Response to Conditional Approval** submission to the Human Research Ethics Committee (HREC) seeking approval in relation to the above protocol.

Your submission was considered under **Expedited** review by the Chair/Deputy Chair.

I am pleased to advise that the decision on your submission is **Approved effective 23-Apr-2013.**  
**For noting:** For future application, please also include your answers to any queries raised within the ‘Details of Response’ section of your online response submission.

In approving this protocol, the Human Research Ethics Committee (HREC) is of the opinion that the project complies with the provisions contained in the National Statement on Ethical Conduct in Human Research, 2007, and the requirements within this University relating to human research.

Approval will remain valid subject to the submission, and satisfactory assessment, of annual progress reports. **If the approval of an External HREC has been "noted" the approval period is as determined by that HREC.**

The full Committee will be asked to ratify this decision at its next scheduled meeting. A formal **Certificate of Approval** will be available upon request. Your approval number is **H-2012-0366.**

**If the research requires the use of an Information Statement, ensure this number is inserted at the relevant point in the Complaints paragraph prior to distribution to potential participants.** You may then proceed with the research.