



The Impact of Personal Characteristics of Successors in Chinese Family Firms on Succession Based on Thematic Content Analysis

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Abstract. Family businesses are an ancient form of business organization. As a unique organizational form in which the dual systems of family and business co-exist, family businesses exist worldwide and occupy a pivotal market position in creating employment opportunities and promoting economic growth. Family business succession has been paid attention to by academic circles since the 1950s and has become one of the most persistent focuses of Western family business research. Succession is a significant turning point for the family business. Whether the succession is successful or not will affect the operation of an enterprise. This paper explores which characteristics of successors affect the succession of family businesses. Through thematic content analysis of in-depth interviews with family business owners, this paper concludes that inclusiveness, sociability with good communication skills, and a sense of family mission will impact succession. Based on this, we can enable family businesses that are in the process of succession or are about to do so to focus on and develop the above personal attributes in their successors.

Keywords: Family Business, Thematic Content Analysis, Succession.

1 Introduction

According to a survey by Business Week, between 1993 and 2003, 177 of the top 500 U.S. corporations, or roughly one-third, were family-owned. In the structure of the U.S. economy, family-owned businesses contribute 64% of GDP and provide about 62% of jobs (Astrachan & Shanker, 2003) [1]. Since China's reform and opening up, the rapid growth of private enterprises has become essential in promoting socially productive forces' development. Family businesses have existed since the feudal period and flourished during the Ming and Qing dynasties. The statistics show that about 90% of the private enterprises in China use family management or family ownership (China's Private Enterprise Development Report 2005) [2].

Family business succession has been paid attention to by academic circles since the 1950s and has become the most persistent focus of Western family business research. The book "40 Years of Chinese Family Business Ecology" points out that more than 80% of private enterprises in China are family businesses (Family Business Committee

of China Private Economic Research Society, 2019) [3]. The intergenerational transmission of family business refers to the transfer of control and management of the enterprise from one generation to the next, which is the transmission of the family's property, social capital, goodwill, and so on. Despite the importance of family businesses in the economy and society, family businesses are most vulnerable when they are ready for intergenerational transmission. Many family businesses have gone through the process of information and then died.

Succession is a significant turning point for the family business. Whether the succession is successful or not will affect the operation of an enterprise. Since family business is the main form of business in China, they provide many jobs. They have significantly contributed to China's economic growth from the reform and opening up to the present. If these companies fail to continue successfully, it will have a very negative impact on the Chinese economy. Therefore, it makes research on family succession. Most of the family businesses will go into decline after the family succession, the most direct manifestation of which is the decline in business performance (Bertrand et al., 2008; Zhu et al., 2018; Zhu & Lv, 2019) [4] [5] [6]. It can be seen that the family succession tends to affect business performance further, so it is necessary to study the Chinese family succession. This study will examine how the successor's personal characteristics will affect the succession process. This will enable companies to pay attention to certain characteristics of the successor during the succession process.

2 Succession in Family Businesses

Family business is the most common form of business in social and commercial activities. Before studying the family business, it is necessary to define the family business. As Handler (1989) states: "Defining family business is the first and most immediate challenge facing family business researchers [7]." Cao (2002) indicates that there is still much debate to define family business in a way that is recognized by most researchers [8]. The difficulty is due to the fact that family business encompasses a wide range and a great variety of factors that are complex. Therefore, in the current research on family business, there is no uniform definition of family business. we define family business according to Yu's (2015) research on family enterprises for this study [9].

Succession is a critical point in the life of a family business, so the succession process has always been an interesting research topic. Many scholars have conducted a series of studies on the process affecting succession. Handler (1990) examined three levels of influence in the handover process through an interview-based survey: the individual level, the stakeholder relationship level, and the external level, which includes the role adjustment of business owners and the business structure and environment [10]. Research has shown that family business succession is a complex and long-term socialization process, and its influencing factors include individual, family, organization and society (Chen, 2022) [11]. Yang's (2021) study also pointed out that the factors influencing succession can be categorized into individual, company, and environmental levels [12]. Evidently, the influence of succession is complex and does not depend on a

single number of factors. According to Dou (2006), in the collation of literature research, its final generalization summarizes that the intergenerational succession influencing factors of family business can be roughly divided into four different levels, including the individual level, the interpersonal level, the organization and the social environment level [13].

Considered from an individual perspective, differences in gender roles can have different impacts on succession (Byrne et al., 2018) [14]. In addition, the time focus of the CEO can have an impact on family business succession planning (Lu, Kwan, & Ma, 2021). Sardeshmukh and Corbett (2011) surveyed the successor's confidence, education, and work experience, and the results showed that innovation ability and awareness of human capital played a positive role in the successful succession of the successor [15] [16] [17]. Li (2015) argued that enhancing a successor's willingness to take over can improve the success probability of family business succession [17]. Yu et al. (2013) argued that the willingness to hand over succession affects the effect of family business succession [18]. Successors with overseas experience have a stronger tendency to engage in portfolio entrepreneurship and promote corporate diversification (Wang et al., 2021) [19]. At the same time, the successor's loyalty and sense of responsibility are more important than his or her own abilities. Qualities such as loyalty and a sense of responsibility represent the family's reputation and are decisive for the success of the succession (Chrisman et al., 1998) [20]. Different scholars from different countries have explored the influence of many personal factors of the successors on the succession based on their research. These factors include gender roles, education level, work experience, self-confidence, willingness to succeed, innovation, awareness of human capital, loyalty and sense of responsibility.

3 Research Questions

Based on the above literature review, this paper proposes the following research questions: *How do the personal characteristics of successors affect the succession process in Chinese family firms?*

From the main research question, we can break down into two sub-questions, the study of which will answer part of the main research question:

1. *What are the factors of personal characteristics of successors that influence family business succession?*

This question will explore what characteristics of the successors influence family business succession. It is to find out the existing known succession factors through a literature review and then to elaborate on the concept of succession factors through further in-depth interviews and other methods to build a system of succession-influencing factors of successors as a basis for the main research question.

Based on research sub-question one, we have explored the system of family business succession influencing factors from the successor. Further, we dynamically analyze the succession influencing factors to explore how they affect the family business succession process.

2. *What is the process of a successful succession in the Chinese family business?*

This question continues to delve into the family business succession process based on the first sub-question. Having arrived at the factors that impact family business succession, we aim to delve deeper and determine what a successful succession model looks like. The study will reveal the components and considerations of a successful succession process.

4 Research Design and Method

This study examines how successors affect family business succession, a "how" issue. Therefore, case studies are particularly appropriate (Eisenhardt, 1989; Yin, 2013) [21] [22]. Additionally, since this paper's sub-question focuses on what it is and will explore unknown factors from past experience. And the scope of application of the case study includes: first, it applies to new research questions that lack existing theories or existing literature or theories that are flawed and cannot help to solve the research questions. Second, it applies to research questions that existing theories cannot adequately answer, or there are gaps or flaws in existing theories that do not give meaningful explanations for particular research questions. Third, it applies to research questions that focus on constructing a process theory. According to Yin (2011), a qualitative case study approach is useful when studying a phenomenon in context, especially when the boundaries between phenomena and context are unclear [23]. In this area, while the boundaries on the case (e.g., business boundaries, family boundaries) are hard to define, the study is interested in (a) understanding why some businesses can navigate this transition and (b) studying operating businesses where interviews can be conducted and the context observed. Finally, succession is very difficult to separate from its context, and the researcher had little control over the variables of interest. These factors supported the use of a case study approach in this study. In this paper, multiple cases are used for the study. Additionally, from a post-positivist perspective, all measurements are fallible; therefore, a multiple case study was chosen to include multiple forms of data collection to validate data using triangulation (Creswell, Hanson, Plano & Morales, 2007) [24].

In order to ensure that the selected case team can meet the research needs, this paper adopted a purposive sampling synthesizing the selection criteria for cases from several papers. There is still no academic consensus on the definition of family business. After consolidating the literature, we define family business according to Yu's (2015) research on family enterprises for this study as follows: (1) Individuals or core family members own more than 50% of the shares in the enterprise. (2) At least one family member is employed in the business. (3) The family attempts to perpetuate the ownership of the business by the next generation of members [9].

Considering the low success rate of founder succession activities and the fact that companies are often not open to the public, a qualitative study using the interview method is most appropriate. We selected five Chinese family businesses for the study through the researchers' contacts. We sent out invitations to businesses that met our criteria, and we ultimately invited five businesses to participate in this study. We conduct interviews with family business owners and successors in each case. We developed

a semi-structured questionnaire based on the literature framework. The in-depth interviews aim to investigate the factors that influence family business succession and the owners' and managers' perceptions of business performance.

All the cases in this research come from the author's contact or through friends' introduction. After a period of contact and with the consent of the interviewees, we selected five companies as interview subjects. (see Table 1)

Table 1. Sample of company.

Case	1	2	3	4	5
Industry	Education	Repair	Glasses	Education	Decoration
District	Guangdong Zhaoqing	Guangdong Zhaoqing	Guangdong Shantou	Guangdong Zhaoqing	Guangdong Guangzhou
No. of staff	25-50	Around 20	200-300	300-500	Around 200

5 Analysis

After processing the interview data, this paper uses the thematic content analysis method to analyze the data. Thematic Content Analysis (TCA) is a descriptive presentation of qualitative data. Qualitative data may take the form of interview transcripts collected from research participants or other identified texts that reflect experientially on the topic of study (Anderson,2007) [25]. This method will be used in this paper to analyze the data collected after it has been converted into a form that can be analyzed (e.g., converting audio recording data to text). The coding process begins with an overview of the transcript (in Chinese) in which key ideas or activities related to the succession process are circled or underlined. The transcripts were then reviewed again. This is followed by labeling the ideas on the copy of the transcript and translating the labeled ideas into English for categorization. Table 2 below shows an example of the coding process.

Table 2. Sample of coding process.

<p>.....从2008年在乐城镇初办，2010年时搬到高要区去办。当时，客厅就是办公区，餐厅就是会议室，卧室拿来当做员工宿舍。洽谈区?不存在的。但别气馁，就是在自家的客厅，创立了公司在九十年代盖的老旧写字楼里租一间不大的格子间。</p> <p>It was first established in Le Town in 2008, and then moved to Gaoyao District in 2010. At that time, the living room was the office area, the dining room was the meeting room, and the bedroom was used as the staff dormitory. Negotiation area? Doesn't exist. But don't be discouraged, it was in the living room of our own home that we founded</p>	<p>Make the company your home/timely communication</p>
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our company, renting a small cubicle in an old office building built in the 1990s.	
我们的优势在于员工的付出和研究的创新，同时我们是本地人，大家都很信赖我们。我的儿子和女儿都是我们的员工，我们大家开心见诚没有沟通障碍	unselfish devotion
Our strengths are the dedication of our staff and the innovation of our research, as well as the fact that we are local and trusted by everyone. My son and daughter are our employees and we are all happy to see each other without any communication barriers!	No barriers to communication
我更关注的因素重要的社会责任。因为现代社会责任心必须有。我们是搞教育，因此我们必须对得住小朋友对得住家长。	social responsibility
I am more concerned about the factors important social responsibility. Because the modern society must be responsible. We are in education, so we must be able to do right by the children and parents.	professional sentiment

6 Findings

After extracting themes through coding and analyzing the transcripts of in-depth interviews with the founders as well as the successors of the five companies, we obtained the following findings.

6.1 Inclusiveness

Inclusiveness facilitates a smooth transition in the succession process so that the family and corporate cultures are less altered and perpetuated in the organization. Successors and founders may have different understandings of the family culture and the corporate culture, and an eclectic succession process maximizes the continuity of the two cultures and minimizes emotional barriers for employees. This allows for less variability in the succession process and quicker adaptation of employees to the new leader's management, resulting in a quicker end to the succession process.

Inclusive successors can minimize conflict in the succession process and thus complete the succession task quickly. Successors as well as founders live in different environments. The literacy level of the founders in all five cases was below the university level, while the successors were at the university level or above. This makes the management styles of the two generations different, and conflicts are bound to arise during the succession process. Inclusive successors are better able to face conflicts and resolve them in a way that minimizes management disruption in the succession process.

6.2 Good Communication Skills

Being sociable and having good communication skills will enable the company to retain more social capital after the succession and thus enhance the core competitiveness of the company. In all five cases, one phenomenon that emerged was that the founders

focused on cultivating the social skills of their successors, taking them to meet old clients, partners, government officials, and a series of other contacts as soon as they were ready to take over the company. This initiative makes the enterprise still hold unique social capital after the succession, thus minimizing the loss of enterprise assets during the process of succession on the one hand, and allowing the enterprise to maintain its unique core competitiveness on the other hand.

6.3 Sense of Family Mission

Successors with a sense of family mission will be more willing to take over the reins of the company and will be more committed to the management of the company. The family is a group. The founders and successors in each case have expressed the desire for each family to grow larger and more prestigious. As a result, each successor grew up with an invisible pressure to run the business well. This pressure is the family's sense of mission. It makes the successor believe that he or she has to improve the business and therefore pays special attention to the succession process and tries to ensure that the business does not decline after the succession. Therefore, the successor will attach great importance to the succession process and make it a major event in his or her life.

7 Discussion

This paper obtained that certain successor characteristics will have an impact on the succession process, so the successor should focus on cultivating or noticing these characteristics. However, the five cases studied in this paper are all from Guangdong Province, and the conclusions may not be representative of all Chinese family firms. At the same time each case had completed or was close to completing what they considered to be a successful succession, so this paper does not examine the research implications from a failed succession process. In addition, this paper also has external observations or external documents (website information, newspapers, research reports, etc.) to verify the validity of the data. However, we don't have deep friendships with these companies so we can't make in-depth observations to validate the data.

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