



Designing strategies for managing family business succession
during the transitional period

Case of ACCEC

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PREFACE

I would like to appreciate my supervisor Esa Jauhola from the Kemi-Tornio University of Applied Sciences, and my supervisor Xiao Ye and Zhengjin Peng from the case company, for their valuable instructions and supports which they have given to me in my Thesis work. Besides, I would also like to thank my language teacher Pirjo Alatalo for the inspiration and guidance. Lastly, I would like to thank other teachers in my Bachelor's degree career for their persistent love and care. Lastly, my deepest thanks to the classmates for we have been through in the Kemi-Tornio University of Applied Sciences.

ABSTRACT

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<p>This research aims at researching the current situation and obstacles facing Anyi County Construction Engineer company. In addition, the research seeks to find out how to manage the business succession in the family business during the transitional period of the case company. Furthermore, the objective of my research is to provide guidelines for implementing family business succession in the transitional period by designing a strategy for the case company. This research was commissioned by the owner of the case company.</p> <p>I studied previous research and literature on the concept of Family business and Family business succession in this Thesis work. Besides, the theories on the topics of Family business or Family enterprises are used in my study for the theoretical discussions of this Thesis work, i.e. The compact review of core characteristics are in family businesses and the corporate governance occurs in family businesses. This research gathered these related sources in order to find out the current situation be faced in the family business in general review. Furthermore, how to implement family business succession is based on the theories of the rights of family businesses and the power of transmission of the family businesses.</p> <p>This qualitative research was conducted as a single case study for the case company called ACCEC. This research draws from the exploratory research approach. Besides, I used the relevant printed documentation for the analyses in this research. In addition, I interviewed the CEO and the secretary of the CEO in ACCEC separately, in order to find out the different perspectives and expectations concerning the family business succession in relation to the theoretical discussions. Moreover, with the help of the theoretical discussions and the two interviews, the quantitative research was conducted by the questionnaire survey to find out the current situation that is associated with the case company and discover the expectations of family business succession from the employees' perspectives.</p> <p>The results of this research highlights the current situation of the family business in ACCEC. The results of the research are valuable for the case company. The outcomes of this research pointed out that there are mainly two obstacles concerning the family business succession in ACCEC, i.e. The case company does not have a proper successor, the family governance issues have an impact on the family business succession of ACCEC. In other words, the family governance issues of ACCEC which are aspects of the poor management mode and feudal family culture.</p> <p>On the basis of this research finding, the analysis tool ‘A confrontation matrix’ is applied to provide strategies for the successor plan and put forward suggestions for tackling the family governance issues for the case company in the transitional period.</p>	
Keywords: Family business, Succession, Transitional period	

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1 INTRODUCTION

At the end of 2011, the report from the All-China Federation of Industry and Commerce indicated that about 85.4 percent of private-sector enterprises in China were classified as family businesses (Yu 2013). In addition, family businesses have made an important contribution to China's economy and social progress (Sohu.com Inc. 2012). Therefore, I focus upon analyzing the development in the family business of the case company. However, in the process of developing family businesses it is inevitable that companies face different kinds of problems, including family business successions. According to Yu (2013), 75 percent of family businesses are about to enter a stage of business succession from the founders to their children during the next five to ten years eventually. At this stage, it would be practical to explore solutions to how to manage family business succession (SINA Corporation 2006). Moreover, the case organization in my work is a family business in the building industry and the most of the building materials enterprises exist as a form of family businesses (Alibaba.com 2013). Thus, it is useful to carry out this research work in China.

My research focuses on finding out how to implement succession in the case company since the owner of the case company intends to retire. However, the case company faces a transitional period because the first generation intends to retire whereas the second generation is not ready to take over the family business, i.e. the owner's only young son cannot take over his family business immediately. Therefore, the general aim of this work is to research how to manage succession in the family business of the case company during the transitional period. The case company is called AnYi County Construction Engineer Company, and it operates in AnYi town, China (henceforth ACCEC). This company is involved in producing and selling building materials and products.

1.1 Background and motivations

The topic of my research is Chinese family business succession. The case company is located in the east of China and operates in the building industry. According to Cambieri (2011), the majorities of family businesses in China are located in the east of the country and are operating in the manufacturing industry. In addition, she points out that family businesses are the main trigger for economic growth but they are also threatened by their incapability of successfully managing family business succession processes (Cambieri 2011). However, according to China Daily (2012), China is facing succession crisis within the first generation of Chinese entrepreneurs in family businesses, and the second generations of entrepreneurs are reluctant to manage family businesses since they are incapable of doing family businesses or have no interest to join the family businesses. Additionally, as China's first-generation entrepreneurs come to retirement age and due to the one-child policy in China, the succession crisis becomes urgent (South China Morning Post 2013). Thus, it is valuable to do this thesis work regarding the extremely urgent succession crisis in China.

According to Lu (2011), the building material industry in China is expected to grow over 10 percent from 2011 to 2015. As mentioned above, the case company ACCEC produces and sells building materials and products in Anyi town. Firstly, building materials include the natural and man-made materials for the sake of architecture construction. For instance, natural materials include sand, rocks and wood. While the man-made materials include concrete, metal and glass, the building materials could be categorized into two sources which are natural and synthetic. (The Constructor 2012.) "Natural building materials are those that are unprocessed by industry and Synthetic materials are made in industrial settings after much human processed" (The Constructor 2012). Secondly, the building products include the ready-made products made from building materials and are used to construct the building architecture (The Constructor 2012).

In the case company ACCEC, the main business is producing and selling concrete and metal building material. In addition, in terms of the building products, the case company has specialized in floor manufactures and supplies in Anyi town in recent years. The case

company was established in 2002 in Anyi town, China. The owner is also the CEO, named Mr. Ye Xiao. He started this company with his wife in 2002. According to the interview with the secretary of the CEO in the case company, Mrs. Wang (2013), there are a total 14 family members working as employees in addition to the owner of the case company. Besides, from which 3 of 14 family member employees who are the stockholders, they are the members of the board of directors in ACCEC as well. Moreover, the non-family members are working in the marketing department, procurement department and finance department separately. More details are illustrated in the sub-chapter of “Analysis of interview”. Figure 1 presents the organization chart of the case company below (Wang 2013).

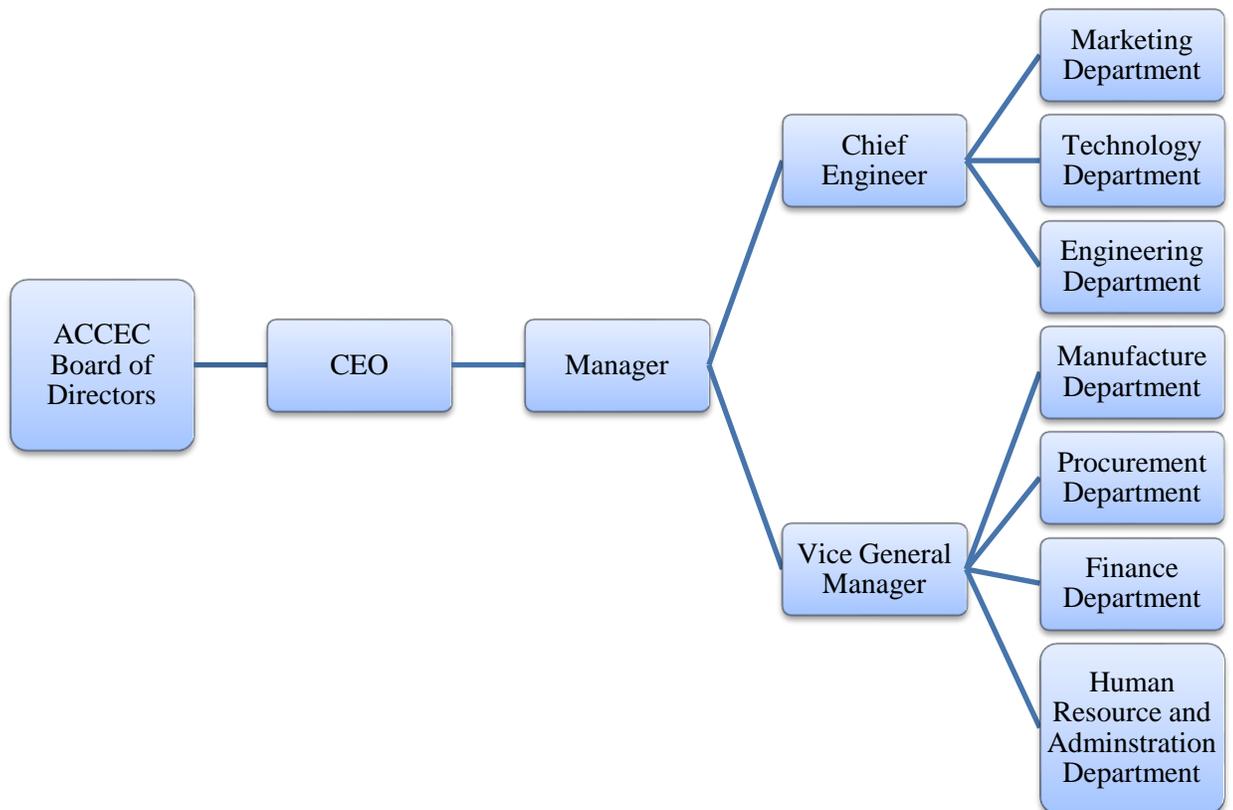


Figure 1. Organizational Chart: ACCEC (ACCEC 2013)

As Figure 1 shows, in the family business of the case company, the CEO and the manager is one person who is Mr. Ye. In addition, the chief engineer and the vice general manager report to the owner. In other words, the owner is the only key person in this high level of

company organization. This Figure indicates that the one characteristic of family businesses is that there is always the one family member in the top level in the family businesses.

The objective of this research mainly derives from the owner of the case company since the case company does not have a strategy for managing its family business succession for the transitional period yet. Moreover, from the academic perspective, the findings of the research will assist with further development of my research work related to family businesses. The owner of the case company wants to support me in conducting the research to complete my thesis work. Therefore, this research is commissioned by the case company through the commission agreement.

My personal motivation for studying this topic derives from my own interest since my mother owns a small clothing company and in the future, I will probably take care of her business and develop it as my family business. Thus, doing research on family business succession has practical value from my point of view. At the same time, conducting this research motivates me to develop and display a university student's preparedness to apply useful knowledge, skills, the competences to reflect empirical research on related scientific sources, i.e. how to provide a solution to a practical problem in real life by designing a strategy.

1.2 Objective and knowledge base

The objective of this research is to provide guidelines for implementing family business succession in the transitional period by designing a strategy for the case company since the case company does not have a strategy for managing the succession issue during the transitional period. The transitional period discussed above refers to the period of time when the first generation intends to retire. However, the second generation is not ready to take over the family business. In other words, the owner's only young son cannot take over his family business immediately.

The importance of family business succession since the role of family businesses in China

is to ensure market supply, stimulate investment and promote export for boosting the whole country's economy (Yan 2011). However, the role would be threatened by the different kinds of obstacles leading to incapable of taking over the business from the last generation (Yan 2011). Similarly, based on the point of view of China Daily (2012) and South China Morning Post (2013) discussed above, current discussions in China seem to point out the importance of succession in the family business in China. Walsh (2011, 7) defines family business succession as the process of transferring the management rights and ownership rights to the next generation of family members. Thereby, I want to focus upon finding out what kind of obstacles concerning family business succession are there in the case company ACCEC and designing a strategy for the sake of implementing family business succession in the transitional period with the help of this research work.

My knowledge base draws from empirical research and literature. The main theoretical model used in my research work is called the Three-Circle model to represent how each of the components of the model cycle interacts with each other, especially how the family component impacts on the management and ownership of family businesses (Walsh 2011, 9). Tagiuri and Davis (1982 cited in Buuren 2009, 5), developed a model that presents the various interactions which occur within family businesses that includes management, ownership and family as three subsystems that integrate over time. Besides, the theories on the topics of family business or family enterprises are used in my study, i.e. the compact review of core characteristics and definition of family business is provided. Moreover, since the rights of family businesses are the key part of family business management, this research includes analyses of ownership rights and management rights. Hence, the theory of 'rights of family business' (Ward & Steger 2004, 151) is used in my study for the purpose of understanding how ownership rights and management rights relate to corporate governance of family businesses. In addition, the theory of 'power of transmission of the family businesses' defined in literature review chapter. (Dyer 2009, 222; Barbot & Bayad & Bourguiba & Christophe 2013, 4) is also used to support the owner of the case company is planning for temporary potential successor during the transitional period. Lastly, on the above theories and SWOT analysis of ACCEC, the analysis tool 'A confrontation matrix' is applied to provide strategies and put forward suggestions for the case company on the basis of empirical findings and literature reviews.

To conclude the discussion above, I analyze the data to be able to achieve the objective of my research from the point of view of both scientific field and practical field.

1.3 Research methodology

The research methodology in my thesis work involves both qualitative and quantitative research. Both research methods were used to find answers to the research questions in order to achieve the objective. The qualitative research was conducted as a single case study for the case company called ACCEC. The data were collected by conducting two interviews, one with the CEO of ACCEC and one with the secretary of the CEO. In addition, the quantitative research was conducted by a questionnaire survey to address research questions. These research questions will be detailed and discussed in Sub-chapter 2.1.

This research draws from previous theoretical and empirical research and literature. Detailed discussion of the research process and the choices of the research methodology will be provided in Sub-chapter 2.2.

1.4 Structure of the Thesis work

The theoretical foundation for this work is built around designing a strategy for the case company to managing family business succession during the transitional period. This thesis is divided into Six Chapters.

Chapter one presented above introduces the research background and motivation, the research objective and knowledge and research methodology. Chapter two discusses the more detail choices of the methodology in this research. It provides the methods and technologies of this research, the process of the research as well as limitations of the research. Chapter three provides theoretical literature review of the family businesses

succession. The Three-Circle model was discussed in this chapter. Furthermore, family business rights and family business succession planning are identified. Chapter four focuses on interviews and questionnaire analysis, thereby on the basis of analysis it was proposed strategy for the case company in Chapter five. Finally, conclusions for the outcomes of my research work and suggestions for further research direction are presented in Chapter six.

2 RESEARCH QUESTIONS AND RESEARCH METHODOLOGY

The research method used in the thesis work is discussed here. The methods and techniques are discussed here applied to answer the research questions. This chapter includes the research questions, research process, research methods and limitations of this research.

2.1 Research questions

The two main research questions discussed below are addressed in this research to achieve the objective of this research. The specific objective is to provide guidelines for solving the family business succession problem of the case company by designing a strategy for the transitional period. Below, the steps necessary to answer the research questions are also detailed.

1. What is the current situation of the case company in the transitional period?

Sub question: What are the main obstacles in the case company ACCEC concerning family business succession?

The objective here is to find out the obstacles in the case company and the current situation concerning the family business succession in the case company. In order to answer the questions above, firstly, the concepts of 'Family business' and 'Family business succession' are defined based on literature and previous research. Secondly, the thesis was presented to discussing the current situation of family businesses in China from literature reviews. In addition, this thesis work also was to analyze the current situation and obstacles of the family business succession in the case company based on conducting two interviews with the owner and the secretary of CEO in the case company, respectively. Besides, the research conducted a questionnaire survey to discover the expectations and the perspectives from the employees of ACCEC concerning the family business succession in the case company. Collecting and analyzing relevant data was assisted in finding out succession obstacles that are associated with the case company and discovering the expectations of the family business succession by the owner and the employees of the case company. The outlines of the questionnaire and the two interviews were in Appendix 1, Appendix 2 and

Appendix 3.

2. How can the case company manage succession when doing family business during the transitional period?

Answering this question, the aim is to design a strategy for the case company during the transitional period on the basis of the current situation of the case company identified in the first research question.

2.2 Research process and research methods

This sub-chapter describes the sequences of steps in this research and gives details regarding the methodology used.

In this thesis, the method of a single case study was employed in order to reach the goal of the case company. According to Yin (2009, 18), “A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.” Hence, the case study research method allows the researcher to managing the family business succession of the case company in the transitional period by conducting this research in a real-life context for finding out strategy for management in the family business.

The research started from the contract signed with ACCEC. Before the thesis process beginning, my research plan was delivered to the case company. Through the discussion, the owner of the case company was agreed on the objective and research questions that I provided.

For the sake of answering the research questions, both qualitative and quantitative methods are used in this research. The qualitative interview, especially conducting an interview can get nearly close to the meanings and interpretations of the research (Blaikie 2009, 207). Due to the nature of this research, this research involves an inductive research process for interpret understanding about how to managing the family business succession on the basis

of designing strategies for the case company. Moreover, regarding the qualitative method, one interview with the owner of the case company was conducted face-to-face in June 2013, in order to find out his expectations concerning the succession and his perspectives concerning the family business succession in the case company. Another interview was carried out with the secretary of the CEO for finding out the obstacles concerning the family business succession. In addition, to using the qualitative method, the quantitative data were used to assist in analyzing the data. The goal of a case study can be exploratory, descriptive and explanatory (Collis & Hussey 2009, 5-8.) Following the data collection and analysis of the two interviews in June 2013, the questionnaire survey was conducted with the employees of the case company in September 2013. Firstly, the questions in the questionnaire were designed and discussed together with the CEO of ACCEC. Secondly, the questionnaire was sent to 136 employees by email for the sake of getting the employees' perspectives concerning the family business succession and what kinds of family business succession issues are there in the case company. As the questionnaire was distributed with the help of my big brother Mr. Peng who is working in human resource department of ACCEC, the response rate of the questionnaire is high, i.e. out of a total 136 questionnaires, 114 responses were returned. After the period of two weeks, the data of the questionnaire are collected and analyzed in September 2013.

2.3 Limitations

The one typical limitation in this thesis work is that my big brother is working in the human resources department of the case company and if the employees knew that I am his sister, they may have felt forced to respond to the questionnaires. Therefore, the response rate is so high in the research.

3 FAMILY BUSINESSES SUCCESSION

For the sake of answering the first research question in the thesis based on the theoretical discussion, the concept of family business, i.e. what family business means as a concept, and the current situation and core characteristics of family businesses in China are discussed here. In addition, in order to finding out how to managing family business succession, the theories of management rights and ownership rights of family businesses are dealt with together. Lastly, the family business succession plan is presented as well.

3.1 Family businesses

Family businesses are also called family enterprises. It is the most popular form of enterprise in the world. In the US, family businesses contribute half of the gross domestic product and provide mostly job opportunities. In Germany, family businesses contributed 66% of GDP and accounted for 75% of the employment in 2008. Moreover, in Britain, family businesses account for 50% of the business enterprises. Besides, majority enterprises in developing countries are family businesses. (Lee & Li 2008, 15.) In the meanwhile, as Introduction chapter defined before, there is 85.4percent of private-sector enterprises in China were classified as family businesses (Yu 2013).

3.1.1 Definitions of family businesses

There is a multitude of definitions suggested in literature and previous research to the concept of Family businesses in organizational contexts which derive from a wide variety of perspectives in focus in these definitions. According to Barry (1975 cited in Getz & Carlsen & Morrison 2004, 22), family businesses can be defined as companies managed by members of a single family. Similarly, Getz, Carlsen and Morrison (2004, 22) propose that family business as part-time businesses or home-based business and this kind of business is not easily separated from the family. However, some researcher even consider a family business when the firm considers itself to be one (Westheadetal.1998 cited in Wenku.baidu.com 2003). Chrisman et al. (2003 cited in Wenku.baidu.com 2003) in turn

perceives that a family firm operates by the components of a family's involvement in the business: ownership, management, or business succession. Moreover, Chua et al. (1999 cited in Getz & Carlsen & Morrison 2004, 23) stress that family business needs to fulfilling the family's vision and across more than one generation.

3.1.2 Characteristics of family businesses

It can be suggested that the only difference between ordinary businesses and family businesses is concerning the role of the family. Family businesses have some core characteristics. The first core characteristic of family businesses is that family businesses are having control of the ownership and management rights (Hu 2013, 1071). The critical advantage of family businesses is that has less managerial costs. However, disadvantages of family businesses are exposed as well. For instance, disadvantages are closed and unequal personnel system and lack of binding responsibility (Lee & Li 2008, 299). Therefore, Lee and Li (2008, 299) point out that family businesses always have a dilemma: they are short of talents while on the other hand, they hardly retain talents as the environment is changing all the time.

The second characteristic of family businesses is mainly through the family management mode since there seems to be a high percent of family members in the management department in companies (Hu 2013, 1071). This kind of management mode will lead to centralization of decision-making by a few people in the company. Corresponding with the interview with Mrs. Wang, family business model is the key issue in the case company.

The third characteristic of a family business is expressed by having a clear objective for the business. According to Dunn (1995 cited in Getz & Carlsen & Morrison 2004, 68), the success of family business comes from family values and objectives. Family values include taking care of staff and customers, and maintaining balance of family ownership and management control. Besides, the objective of family referred to by Dunn is protecting the family name and reputation in the long term (Getz & Carlsen & Morrison 2004, 68).

In this thesis, the case company is a family business which defined by the firm is operated

by the components of the family involving in the business environment. Hence, the definition and Characteristics of family business should be implemented based on the discussion above. According to Mrs. Wang (2013), there are 15 family members in the case company and they are working in the key department of the case company. It seems that there is a need to dig out the current situation of the case company when concerning the family business succession issues or obstacles. Thus, in the sub-chapter, the current situation of family businesses in China will be discussed in details.

3.1.3 The current situation of family businesses in China

Compared with family businesses in Western countries, professionalism is not so common in Chinese family businesses whereas it is a common feature in Western family businesses (Redding 1998, 7). Ford is successful family businesses. They are well-known as excellent and professional management in family business. However, in China there are several family businesses and the majority of them have poor management. Compared with ordinary enterprises, family businesses have versatile problems to deal with, for instance: power transfer, internal relationship and governance (Lee & Li 2008, 16). For solving such problems, Lee and Li (2008, 16) point out that family businesses have a deep cultural root in the history of China, especially after the 1980s family business have played a vital role in the economy. Redding (1998, 7) also reveals that the norms and values about collaboration in family firms mostly derive from the culture of Confucianism. Similarly, Chua, Chen, Kirkman, Li, Sun, Rynes and Luis (2013, 487) illustrate that most family businesses are formed of family owning or governing or managing the businesses since the deeply long-lasting effect of Confucianism culture in China which defines the family as the basic unit of the entire community. In conclusion, the development and management mode of family enterprises is influenced by the secular culture to a certain extent. In ACCEC, the start point of the family business succession is to find out the current situation of the company in the transitional period. The following text is to present the development stage from start to the end in family business life and also point out that the family components have a vital effect on the ownership and management succession in the whole time when doing family business.

Meanwhile, within the high technology and the rapid global economic development, some older family businesses have stepped into the second generation. As the family businesses have taken the relationship between family and businesses all the time, Gersick et al. (1997 cited in Getz & Carlsen & Morrison 2004, 23) developed the Three-dimensional developmental model of family businesses based on the Three-Circle Model (Tagiuri & Davis 1982). Figure 2 shows the relationship between “ownership, business and family” analysis as suggested by Gersick et al. (1997 cited in Getz & Carlsen & Morrison 2004, 24).

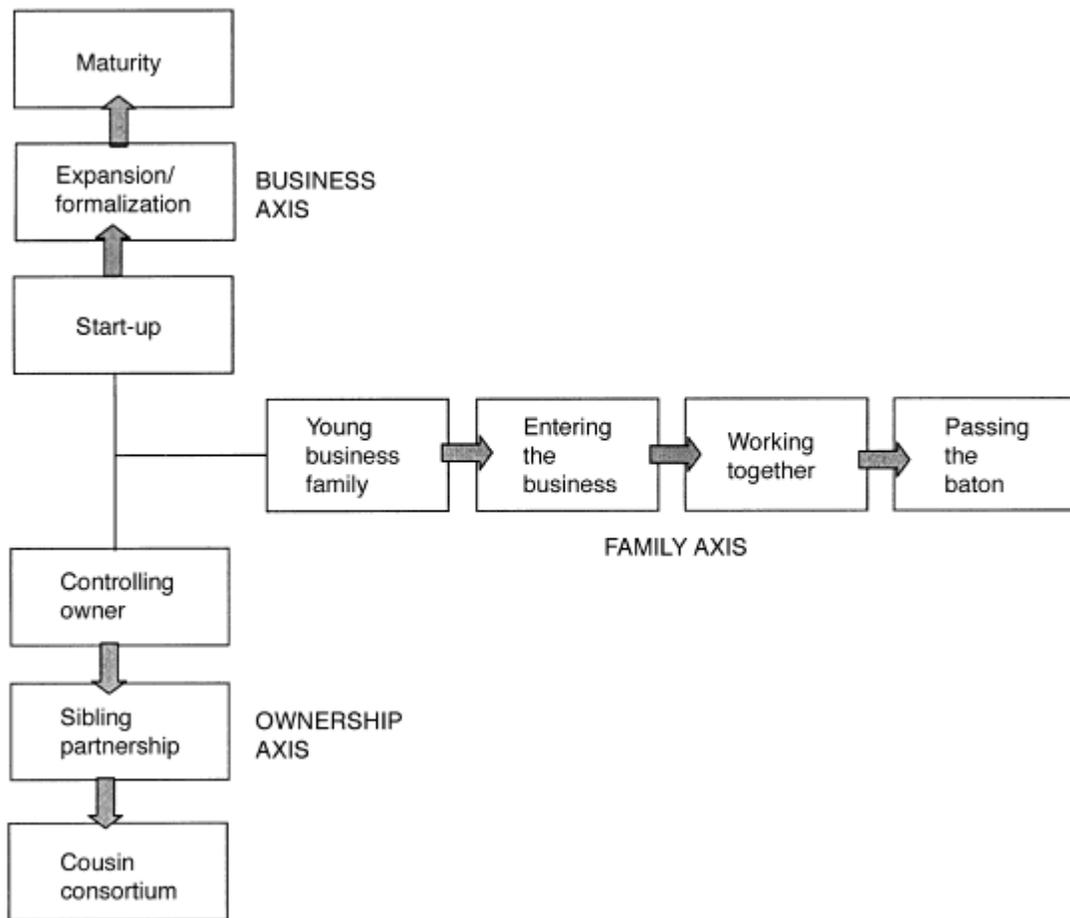


Figure 2. Three dimensional developmental Model of family businesses (Gersick et al. 1997 cited in Getz & Carlsen & Morrison 2004, 24)

As Figure 2 depicts the family axis are four stages of family development which is from young business family to ultimately ‘succession’. In China, most family businesses come to the final stage ‘passing the baton’. When time as a factor is added into these three axes, development will be different from business to business. In the three dimensions, each one

has its own stages of development. (Gersicket al.1997 cited in Getz & Carlsen & Morrison 2004, 24). In ACCEC, the family member employees have certain influence on the business succession. For the 'FAMILY AXIS', the case company is on the stage of 'passing the baton'. However, in the 'OWNERSHIP AXIS', the case company is staying the stage of 'controlling owner'. In the business development axis, the case company is in the stage of expansion. Through discussing this model, it indicates the current situation of the family business in the case company. Furthermore, in order to find out the obstacles in the family business, the family business governance should be taken into account in business succession. Thus, in the next sub-chapter, the family business governance will be discussed.

3.2 Family business governance and rights

According to Getz, Carlsen and Morrison (2004, 9), in most countries family businesses are dominant both ownership and management. Also Getz, Carlsen and Morrison (2004, 70) suggest that "most failures of family businesses are due to managerial incompetence or lack of fundamental assets." Active ownership is vital to family business governance.

3.2.1 Family ownership and Management rights

Family ownership is not only could determine the values and objectives of the business, but also could define the vision and made management decisions (Ward & Steger 2004, 140).

Ownership has unique characteristics in family businesses. Firstly, family ownership has a deep emotional attachment to family enterprises. Families have a strong sense of self-pride to other shareholders. Thereby, family owners often see their business as a legacy built by generations. Secondly, family ownership could capture economic interest. "Some families create legal restrictions on the sale of stock and many are privately held."(Ward & Steger 2004, 136.) Then the sale of stock in the market would become more complex. The way to owning stock in a family company is to pay attention to the wealth of individuals. "This means that family business owners have higher risk than as investors in the stock market and this kind of risks make the owners concentrated more to business." (Ward & Steger

2004, 136-137.)

To summarize the discussion above, the economic and emotional investment can be found in family business ownership. These two kinds of investments relate to the failure or success of businesses. On the one hand, the combination of two investments reflected the traditional value of family businesses. On the other hand, the traditional value enables family enterprises running their business effectively. (Ward & Steger 2004, 137.)

In China, “the main bodies of property rights in the family businesses include three super-economic relationships, so-called blood relationship, kinsfolk-relationship and regional relationship.” (Hu 2013, 1069.) The blood relationships include father and son or brothers etc. This kind of blood relationship is combined with property rights in the company. “The kinsfolk-relationship is defined as composed of some relatives, either individuals or families.”(Hu 2013, 1070.) In addition, the regional relationship could find good opportunities for the family business as a social relationship in the local area. No matter which relationship with family businesses, there is a need for re-settling the property rights (Hu 2013, 1070). To conclude, the property rights are influenced by these three relationships and it is beneath in family businesses management, i.e. Owner has right to determine how property is used in the management.

Generally speaking, family businesses in China are hardly competing with Western companies in the aspect of management approach. Mostly family enterprises running their business rely on their rich experiences. (Lee & Li 2008, 297.) However, family businesses have a problem which as a result of proper management in the company. The failure to adopt the proper approach of management mode may “have impact on the further development of the family businesses or even result in evident losses and bankruptcy.” (Lee & Li 2008, 297.) Even though more and more enterprises pay much attention to management since China entry into the WTO, they are still in the initial stage of management (Lee & Li 2008, 297). Within a short term period, family enterprises could invite a consulting company for giving pieces of advice. While in the long term period, family enterprises need to pursue enhanced management. Therefore, for the sake of the long-term development and interests of family businesses, it is inevitable for the separation

of ownership and management in the company (IFAC.org, 2012).

3.2.2 Three-Circle Model

Tagiuri and Davis (1982 cited in Buuren 2009) designed a model that presents the interactions occurring in family businesses within the concepts of management and ownership and family. Since the three components integrate over time, the model is so-called Three-Circle model. Below Figure 3 shows the Three Circle Model (Tagiuri & Davis 1982 cited in Buuren 2009, 5.)

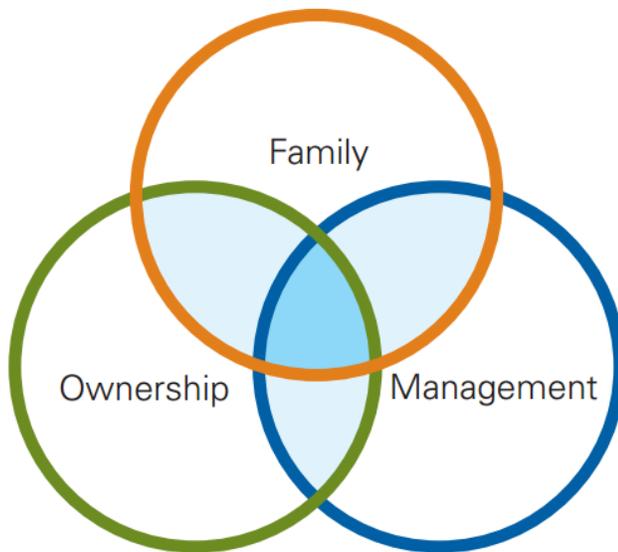


Figure 3. Three Circle Model (Tagiuri & Davis 1982 cited incited in Buuren 2009, 5)

The Three Circle Model illustrates the ownership circle, the management circle, and the family circle interaction together. The management circle presents that management has an impact on the family and ownership. The family circle represents that it has an effect on the management and ownership (Walsh 2011, 9). In ACCEC, the three dimensions are interrelated during the development of family businesses over time. It also illustrates that three components are mixed together in family businesses in the case company. The family as the mainly component both in ownership and management in the family business. In ACCEC, the obstacle in family business is to tackle the interaction between management and ownership rights in family business governance.

3.2.3 Family business board

When referring to the family business governance, there is a mature governance system has a professional business board. Thereby, the family governance system has a professional board which is the board of directors. The board of directors defines the top of governance in family businesses and is elected by the shareholders (Ward & Steger 2004, 149.) The function of the board is guiding direction to make good management in the company.

At each stage of family business development, the board of directors is critical to family business. The important role of the board is to help the founder of the business to take care of management issues including succession. Within further development of the business, the board can help the founder to transmit business value and vision to the next generation. In other words, the board tends to become involved in business strategy (Ward & Steger 2004, 151.) the business strategy must reflect the current situation of the company. Besides, as a board, it has responsibilities to take care of ownership and management issues of the company in a broad view. Furthermore, the board must assess the performance of the company and whether to grow. To conclude, the board as a family business agency needs to build links between management and ownership. Thus, it could make be more directly deal with family conflicts and communication. (Mandl 2008, 66)

In order to implement the business succession in the transitional period of ACCEC, above the discussion of family business governance and the board were implemented. Then the next sub-chapter will discuss the different succession ways of family businesses.

3.3 Succession in family businesses

The concept of succession is embedded in family businesses. Succession is the process of related things going after the other and this kind of connection between things linked like a series (yourdictionary.com, 2013). Succession comes to the major issue in most family businesses. "Succession is a multistage process rather than a simple step." (Handler 2009,

134.) It is crucial to the family business whether to keep healthy on going in the long term. Similarly to the concept of family business, there is a variety of different approaches to how succession embedded in family business is perceived. According to Beckhard and Burke (1983, 3), the family business succession defines as "the passing of the leadership baton from the founder to a successor who will either be a family member or a non-family member" (cited in Handler 2009, 134). Furthermore, before the Beckhard and Burkes's (1983 cited in Handler 2009, 134) perspective of family business succession, Barry (1975 cited in Handler 2009, 134) emphasized that 'leadership baton' includes ownership and management rights. Meanwhile, Walsh's (2011) perspective is totally agree with Barry's (1975cited in Handler 2009, 134) in the way of pointing out the importance of passing both ownership and management rights in family business succession. Walsh (2011, 21) perceives family business succession as "the process of transitioning the management or the ownership to the next generation." Therefore, the family business succession consists of two processes. It includes management succession planning and ownership succession planning. The two processes can be undertaken once a time or separately. However, it was recommended that the management succession planning can be earlier than ownership succession planning since ownership succession plan supports the management succession. (Walsh 2011, 15.)

In ACCEC, Mr. Ye (2013) pointed that he would transfer the management right to temporary successor rather than ownership right in the transitional period. Thus, in order to implement management succession in ACCEC, the management succession planning will be discussed in details in the next sub-chapter.

3.3.1 Management succession planning

As was previously discussed, the family business succession starts with the management succession. For the sake of managing the succession process successfully, the current founder or owner needs to be satisfied with management succession planning and the successor has core competences to manage businesses (Walsh 2011, 23). The following activities are intended to provide this level of satisfaction of managing business. Firstly, it is

vital to address management succession issues in family business. It includes family conflicts or family communication or how to make decisions in family businesses or grooming management successors etc. (Walsh 2011, 23). Secondly, it is critical to make a commitment to family communication. In order to have good communication with family members, the owner or the founder needs to understand what they are expecting during different developmental stages of the family business. After recognizing family member expectations it would be easier to provide a family communication forum to address management succession issues. (Walsh 2011, 23).

There are two different forms of family communication forums today nowadays. They are Family Business Meetings and Family Council Meetings. The family business meeting is for family members who are actively running business daily and it was intended as a decision-making forum for daily business issues or succession issues. While the purpose of the family council meeting is to provide a forum for all family members even though they are not active who has the opportunity to express opinions for family issues that have an impact on business. It is not intended to be used as a decision-making forum for business issues or succession issues (Walsh 2011, 29). Thus the two forms of family communication are quite different. The former one is for important business issues, the latter one for intend to inform and obtain feedback to all family members. (Walsh 2011, 25.) In the case company, it is highly recommend the good family communication since the family communication effect on the family business succession process.

In summary, effective communication is important to management succession. Focusing on establishing a family communication channel is vital to guide the management succession process (Walsh 2011, 41).

3.3.2 Ownership succession planning

In the management succession planning, it was mentioned that family business meetings and family council meetings are dealing with family management succession issues. Corresponding with management succession, the following activities are intended to provide a comfortable level of satisfaction of managing ownership in the business. Firstly,

it is essential to address ownership succession issues in family business. It includes shareholder conflicts or family communication or grooming ownership successors etc. Secondly, it is critical to make a commitment to shareholder communication. In order to have good communication with shareholders, the owner or the founder need to understand what they are expected during different development of family businesses. After recognizing shareholders' expectation it would be easier to provide a business communication forum for addressing ownership succession issues. In ownership succession planning, it is also has this kind of communication channel to deal with ownership issues. A board of directors is used to help govern family business especially dealing with ownership issues in the company. Moreover, it has a legal status and it is responsible for monitoring the performance of the business (Walsh 2011, 49.) When the business grows into mature, companies would have a majority of non-family members on the board of directors (Walsh 2011, 49).

Similar to the management succession activities, after communicating with shareholders, the next step is to require making a commitment by shareholders agreement which is reflect and support the ownership succession plan (Carlock 2009, 15.)

To conclude, establishing the family's communication activities is also crucial for a successful succession. Besides, making the family business rules and shareholders agreement is good to guide the successful ownership succession (Walsh 2011, 51).

3.3.3 Modes of transmission in family business of China

Determining the mode of family business transmission is vital to family business succession. There are two kinds of modes relating to family business transmission in China.

The first mode of family business transmission is a managerial transfer within family enterprises (Barbot & Bayad & Bourguiba & Christophe 2013, 4), which means the family enterprises are integrating professional management into business, i.e. professional manager. Whereas the ownership of business belonging to family owner. In other words, the professional manager has the management right while the owner has the ownership right.

As a family business grows mature within a more complex business environment, the family would be able to staff all the key positions and have all the skills to do management (Dyer 2009, 222). This finding is supported by Wu and Lu's (2012, 165) perspectives, i.e. the limitations and shortcomings of family business management system will restrict the development process since the economy become globally in China. Furthermore, according to Levinson (1971 cited in Hall & Nordqvist 2008, 53), it is advisable to move forward to professional management for family businesses. This point is supported by Dyer's (1986 cited in Hall & Nordqvist 2008, 54) perspective, i.e. professional management is a strategic way in development for family businesses since it is rare to see professionalism in family firms.

However, many family business owners do not want to integrate professional manager into business since they do not want to lose family ties within the family business development (Wu & Lu 2012, 165.) Thus, the other type of transfer is patrimonial transfer which is son hand over both ownership and management rights from father's business between generations. This kind of transfer is much popular in China. Moreover, it was taken the family culture and value into consideration. The family businesses take the form of transfer must feel that the cultural values established by the family in the early time and there is a need to make sure the continuity of those values (Dyer 2009, 228.)

With regard to the two types of transfers during family business succession processes, it needs to identify two main components in the succession process, i.e. the entrepreneurship and the family component (Barbot & Bayad & Bourguiba & Christophe 2013, 4). Therefore, in the family succession process, it is not only takes culture into consideration, but also the entrepreneurship has an effect on business succession.

In the above literature review, the theory of professional management was analyzed based on Three circle model and Three dimensional developmental Model. These two models identified the obstacles in the development of family business succession. In the next chapter, the theoretical knowledge will be combined with the empirical findings to the case company.

4 EMPIRICAL FINDINGS AND DISCUSSIONS OF ACCEC

The theoretical discussions in relation to the family business and the family business succession were provided in the previous chapters. This chapter aims to conduct the discussions of the empirical findings concerning the family business succession for designing business succession strategy during the transitional period in the case company ACCEC. Therefore, for the purpose of this research, this chapter starts with the analyses of the two face-to-face interviews held with the CEO and secretary of CEO in the case company, separately. These two interviews took place in June 2013. Additionally, the findings from the questionnaire survey conducted with the employees in ACCEC are reported in sub-chapter 4.2. Lastly, a summary of the main findings of the interviews and the questionnaires are provided by SWOT analysis in sub-chapter 4.3. These analyses give an insight into the current situation of ACCEC concerning the family business succession.

4.1 Analysis of interviews

For the first interview was with the CEO of the case company ACCEC. The CEO, Mr. Xiao Ye, he is the core person in the whole organization since he has the majority of ownership in ACCEC. There were two objectives for conducting the interview with the CEO. The first objective was to discover the expectations and the perspective from the owner concerning their family business succession based on general interview questions. The second objective was to investigate the obstacles concerning the family business succession. The full interview transcripts can be found in the Appendix 1. As the interview was conducted in Chinese, Mr. Peng checked the contents by comparing the Chinese and the English texts, and then the transcript was translated into English by the researcher.

According to Mr. Ye (2013), firstly, selecting a proper successor associate with the situation of the case company is the priority in the transitional period. The transitional period defines that the first generation intends to retire whereas the second generation is not ready to take over the family business. He describes that his son is not mature enough to take over the business now since his son doesn't graduate from high school. The owner expects his son to study business as his major in a university. On the basis of his university education, he will have enough theoretical knowledge of business and he can take over business with whole

ownership and management rights. He sees that during this transitional period he could only transfer management rights to the proper successor. He also states that he agrees with the plan to have a family member or non-family member or employ a professional manager to be a successor during the transitional period. However, he would prefer a family member to be a successor during the transitional period since his son would take over his business in the future. Hence, it would result in less conflict in management rights. (Ye 2013.) Secondly, in terms of the obstacles concerning the family business succession, he admits that it is challenging to separate ownership and management rights from his own perspective, and as a result of this challenge he has two identities in the company. (Ye 2013.)

Mr. Ye was a passionate and an optimistic interviewee during the interview. He prepared for answering my questions well before I came to his office to do this interview. Since he was the person who motivated me to do this research, he supported the success of my research by doing his best to answer my questions carefully. Especially when he was asked about the perspective of the family business succession in the case company, he stated that he was quite agree with family member or non-family member in ACCEC or outsider to be a temporary successor. However, he hesitated and used expressions such as “em...emm..but” to indicate that he prefer to the family member to be a temporary successor during the transitional period. Besides, when it was referred to tough obstacles, he seems to given a self-doubt looking when he answered that there is a need to separate ownership and management rights. In my understanding, he is influenced by the traditional family business governance in China deeply and does not clear whether to mix two rights or separate them.

The second interview was with the secretary of CEO in the case company ACCEC, Mrs. Wang Ling. She is responsible for the daily business activities assigned by the CEO and the board. She has been working in ACCEC since the company was established. Besides, she has been working in the human resource department and got to know the general talents situation of the case company for these years. There is one same objective as in conducting the interview with the CEO which is to find out the obstacles concerning the family business succession. The interview transcript can be found in the Appendix 2.

During the second interview, Ms. Wang underlined the importance of the board of directors in playing a vital role in ACCEC. She pointed out that the board has not real function in the company by stating that “the board is not the really board, it is similar to the place where to pronounce decision by family members. Usually they have already discussed issues in family business meeting before.” She also explained that the right of speech is always the priority for the family members even who they are not stockholders. She implied that it is unfair for the other stockholders in the board. Finally, when she was asked what kind of talents there are in ACCEC, she puts forward that the company should employ people who are professional and trained corresponding to the different demand in all departments of ACCEC. Through the interview with Ms. Wang, she seemed very concerned about the situation of the case company. Especially in terms of the transitional period, she emphasized that “I hope to tackle the obstacle when concerning the succession plan. It is the first step to solve problems when concerning family business succession.” From my point of view, her tones to speak seemed full of expectations and confidence regarding the fact that the case company could pay attention to the board. (Wang 2013.)

4.2 Analysis of questionnaires

Based on understanding the expectations and the perspectives from the owner concerning the family business succession, the next step is to research what the perspective of the employees of ACCEC is concerning the family business succession. The questionnaire was designed with the CEO of ACCEC according to the needs of the case company. The questionnaire can be found in the Appendix 3.

According to the core difference between family businesses and non-family member businesses is concerning the family members. Besides, regards to this research reliability, the object of this research was determined by employees, including both family members and non-family members in the case company. Moreover, from the document which was provided by the human resource department, there are a total of 144 employees in ACCEC. This number includes the signed fixed-time employee-contracts and only for internship

without the employee-contract. Since there are a total of 136 employees who had employee-contract with the company when this research was conducted, during the two weeks of the questionnaire, a total of 136 questionnaires were distributed in ACCEC. Table 1 presents the response rate of the questionnaire survey.

Total Respondents	Total Released questionnaires	Total Returned questionnaires	Total Effective replied questionnaires
Family member R.	14	11	100%(11)
Non-family member R.	122	103	95.15%(98)
Total respondents	136	114	95.61%(109)
Total effective response of rate	80.15%		

Table 1. Response rate of questionnaires

As can be seen from the Table 1, a total of 114 respondents sent their responses. Simultaneously, there were 5 ineffective replies since the answers are incomplete. Hence there are a total 109 effective respondents in the research and the total effective response rate is actually 80.15 percent. Thus the volume of responses provides validity to the study. Moreover, from all the respondents of the questionnaire, 10.1% were family member employees and 89.9% were non-family member employees, which means that non-family member employees are more represented in this questionnaire than family member employees. Thus, from the point of view of the objective and the research questions of my research, it provides reliability to the research.

The questionnaire aims to find out the current situation which is associated with the case company and discover the perspectives and expectations of employees concerning family business succession in ACCEC. Thus, the following sub-chapters are illustrated the

outcome and analysis of the questionnaire which was conducted in ACCEC.

4.2.1 Current situation of ACCEC

Firstly, as Figure 4 presents below, in the case company ACCEC, there is a high rate of job hopping for non-family employees in the company. The figure indicates that the majority of family members of the employees are working longer in the case company than the non-family member employees. Moreover, all the employees who are working more than 5 years belong to the family member of employees. In other words, there is less connections with a strong sense of trust and belonging regards to the non-family member employees.

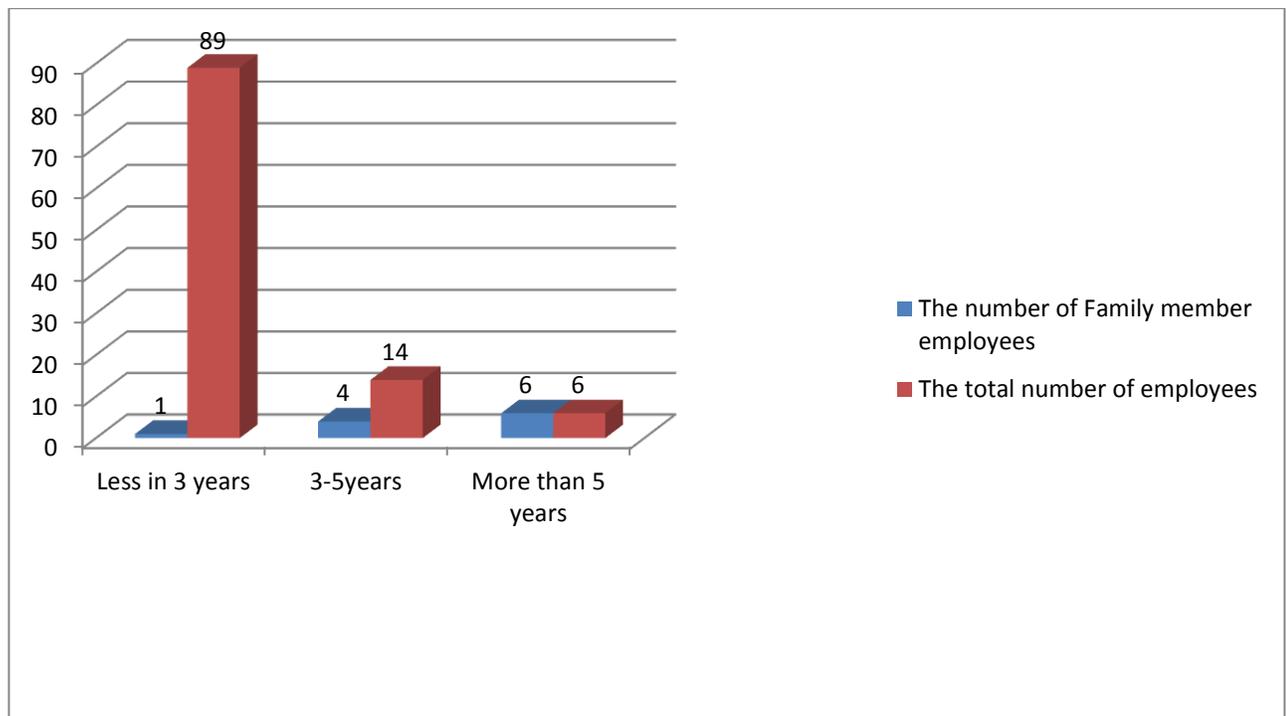


Figure 4. Working time of the employees in ACCEC

Secondly, in order to manage family business succession smoothly in ACCEC, the research was conducted for what kind of family business issues are in the company from the employees' perspective.

Figure 5 presents the outcome of Question 7 from the questionnaire for ACCEC.

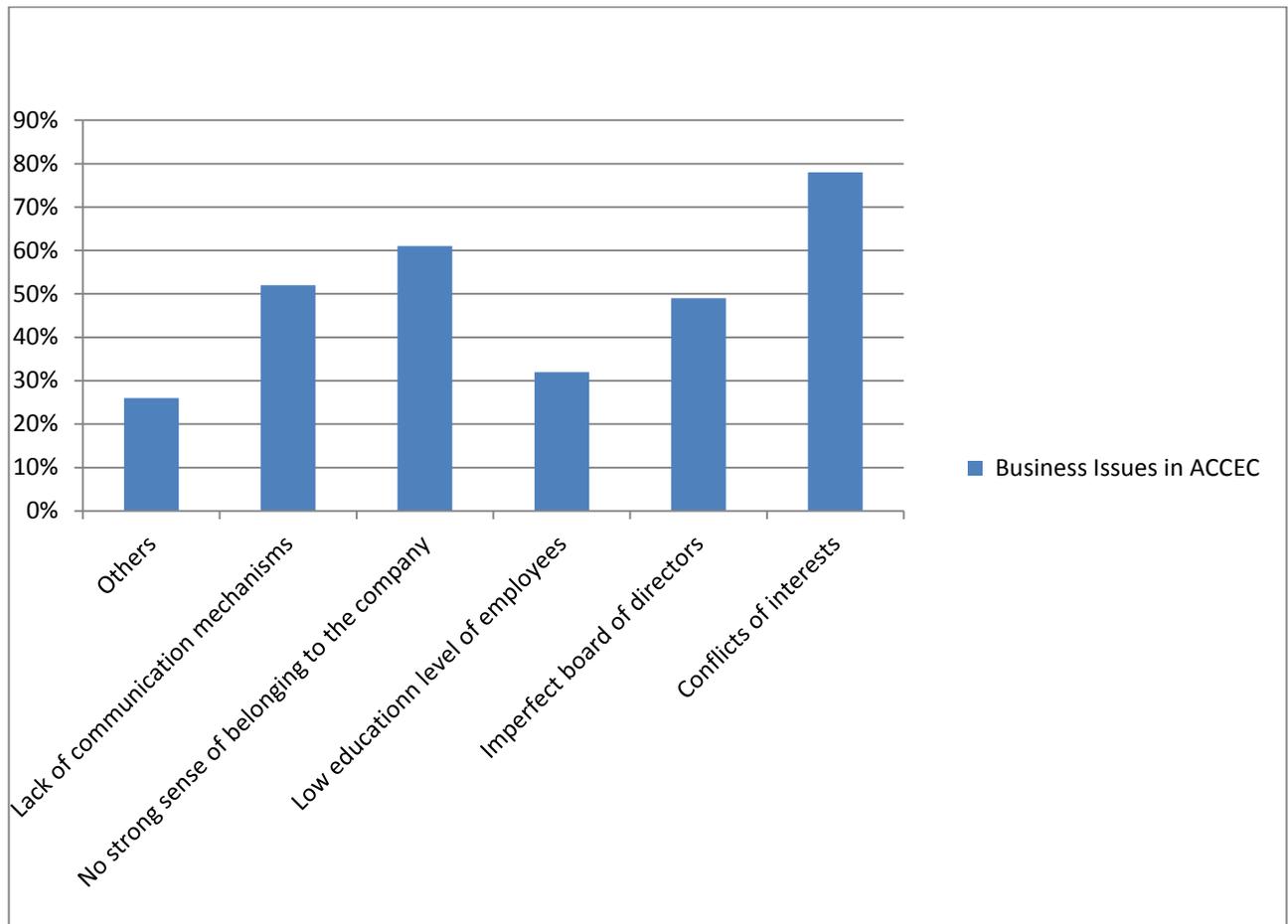


Figure 5. Family business issues in the company

As is seen from Figure 5, the respondents have given the most three critical issues are associate in the company. It can be found out that the first important issue in the family business of ACCEC is the fact that there are conflicts of interests in ACCEC. The second issue is having no strong sense of belonging to the company by employees. The last important issue is lack of communication mechanisms.

Thirdly, from the outcome of Question 2 in the questionnaire of ACCEC, it presents if there is family business governance problems in the company. Figure 6 below illustrates the degree of interest to join the discussion of ACCEC.

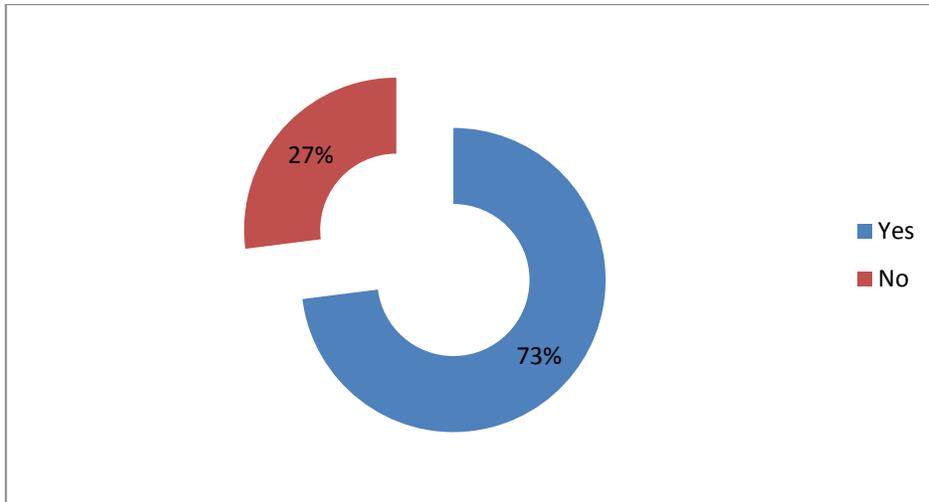


Figure 6. Degree of interest to join the discussion of ACCEC

From Figure 6 it can be seen that most employees in the company care about business issues thus obviously the employees in the company are responsible. It seems that employees need more chances and rights to express their perspectives of any kinds of business issues. In other words, there exist unfair judgments to a certain context in ACCEC.

Furthermore, the outcome of Question 3 of the questionnaire of ACCEC illustrates below.

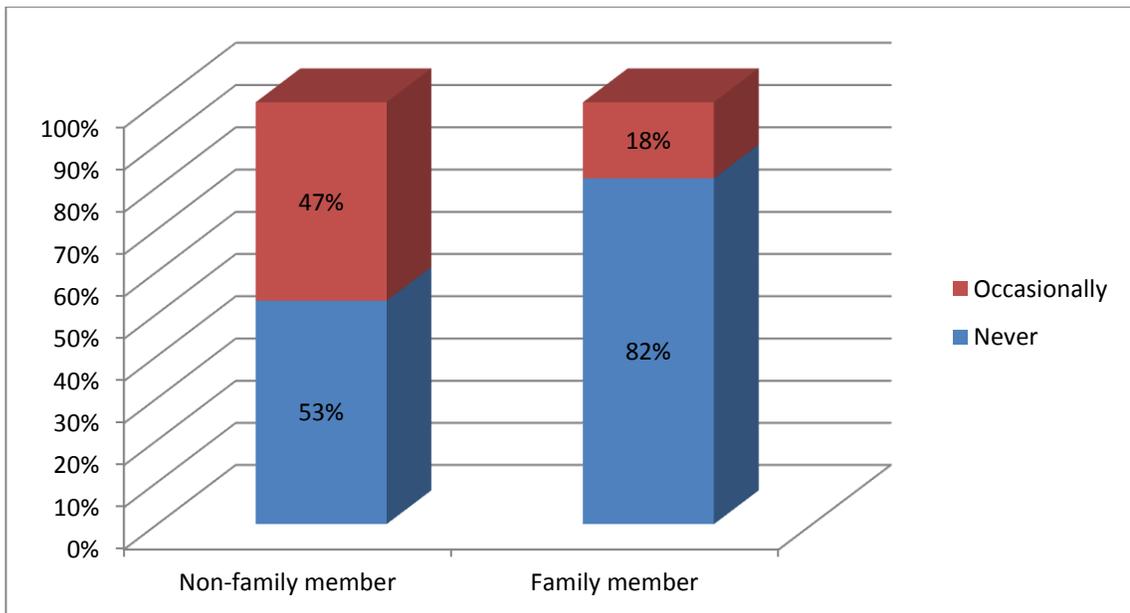


Figure 7. The frequency of the employees to consider leaving from the ACCEC

As can be seen from Figure 7, 53% of the responding non-family member employees of

ACCEC ever consider resigning from the company, which also means there is a need to enhance employees' loyalty and the sense of cohesion and belonging in ACCEC. This figure also indicates that there is lack of sense of belonging to ACCEC regarding non-family members.

4.2.2 The perspectives from the employees in ACCEC

First of all, in order to get the perspectives from the employees about succession in the case company, Figure 8 presents the outcome of Question 4 from the questionnaire of ACCEC below.

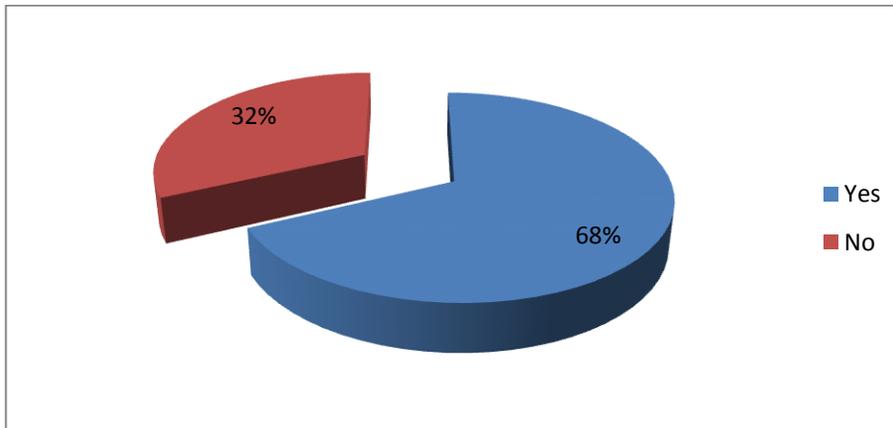


Figure 8. Degree of acceptance of young people to take over business in ACCEC

This question is the first time to refer the family business succession from the perspectives of employees in ACCEC. This Figure indicates that the majority of the employees would like to accept young people to manage the business. It seems that the majority of employees are open-minded to accept new things.

Moreover, Figure 9 further gives the outcome of Question 5 from the questionnaire of ACCEC.

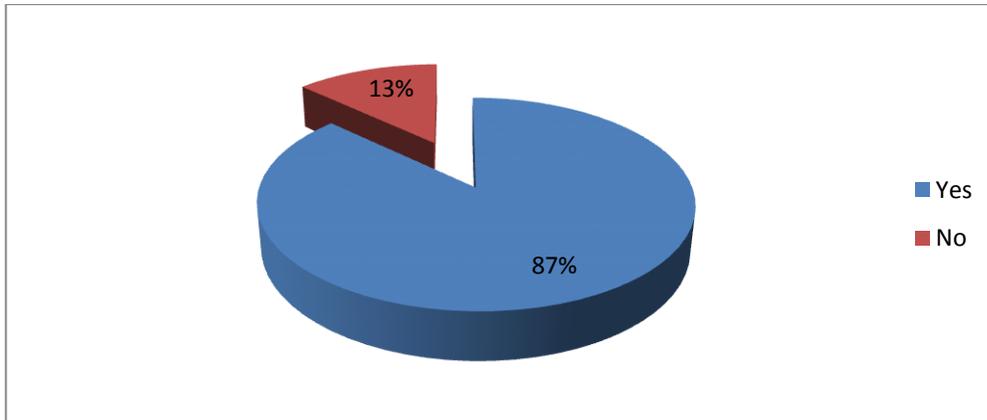


Figure 9. Degree of acceptance of non-family member to take over business in ACCEC

Figure 9 indicates that the majority of the employees would like to accept non-family members to manage the business. It seems that most of the employees are open-minded to accept an outsider to manage the business succession during the transitional period. It can be assumed that the respondents who answer “No” are the family member employees, thus if the company to employ the outsider to manage business in the transitional period, it should learn to trust the outsider of the family in ACCEC.

At the end of the questionnaire, the research conducted deeply gives insight into the business succession of the company. Below Figure 10 illustrates the expectations from the employees concerning the business succession during the transitional period.

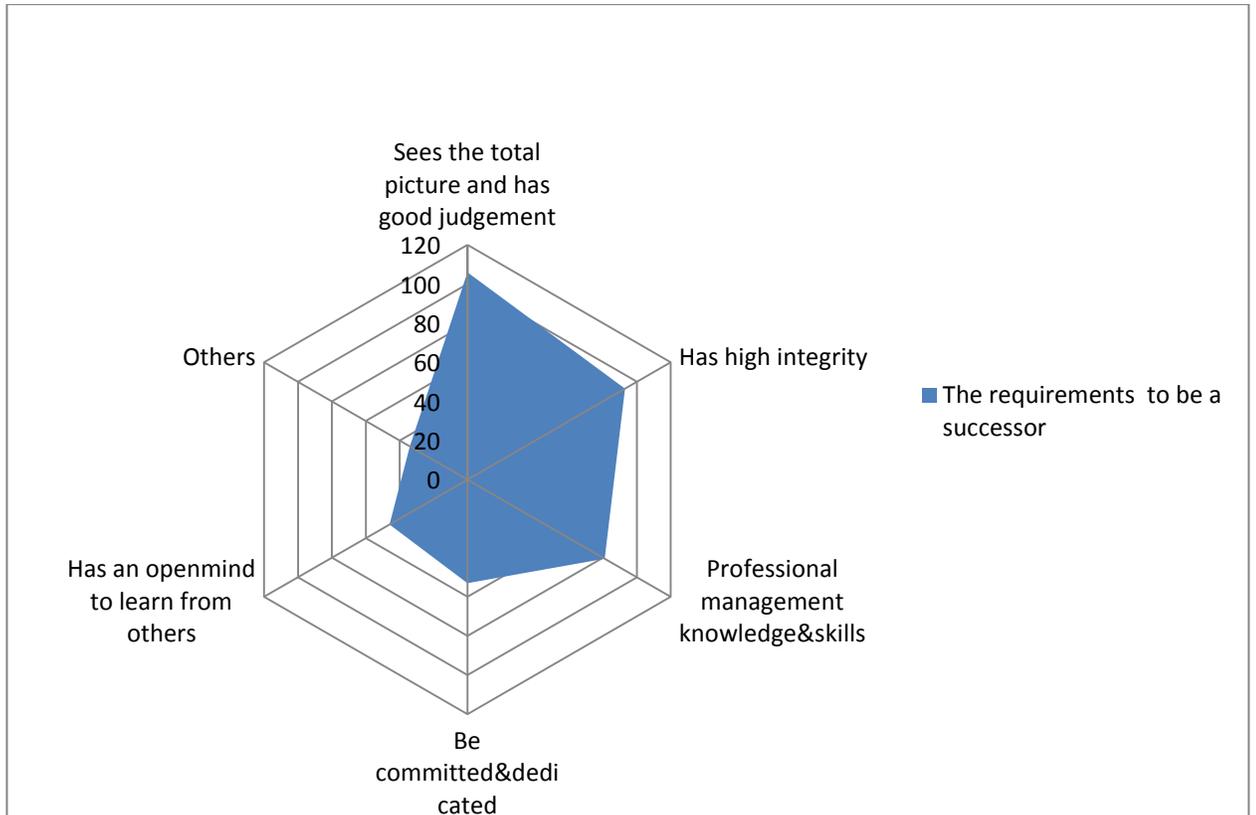


Figure 10. The requirements to be a successor in ACCEC

As can be seen from Figure 10, it indicates that employees in the company would like someone to be a successor who has good judgment and can see the total picture. Besides, the employees expect that the successor has high integrity when doing business. Lastly, the employees in the company expect that the successor has professional management knowledge and skills.

4.3 Discussion of SWOT analysis

The SWOT analysis draws from the outcome and discussions of the two interviews from the CEO and the secretary of the CEO in ACCEC separately, as well as from the questionnaire survey with the perspectives of the employees when concerning the current situation of ACCEC concern the family business succession in ACCEC. As regards to

strengths and weaknesses, the internal analysis, i.e. core characteristics of the case company, is the base. In addition, the external environment analysis of ACCEC for the family business succession is illustrated below in Table 2.

Internal strength (S)	Internal weakness (W)
<ol style="list-style-type: none"> 1) Low managerial cost in ACCEC. 2) High acceptance of new the modern technology in ACCEC. 3) Good revenue and stable development within ACCEC. 4) Advantageous family culture value from family member employees and owner. 5) High interest of involved in family business. 	<ol style="list-style-type: none"> 1) The property rights of ACCEC are not clear. 2) There is a big trust gap between family member and non-family member in ACCEC. 3) Decision-making mechanism is highly imperfect. 4) There is a disadvantage of family culture value (No strong sense of trust and belonging to family culture as regards to non-family member employees in ACCEC) 5) There is a low education level among family members.
External opportunities (O)	External Threats (T)
<ol style="list-style-type: none"> 1) Financial support from local government. 2) Trend for introduction of modern management system in China. 	<ol style="list-style-type: none"> 1) Since products and technology are updated rapidly in the building industry, it leads market to become unstable. 2) As there are competitive family businesses in the field of building industry in the same town, the keen competition is the external threats.

Table 2. Discussion of Family business SWOT analysis in ACCEC

Firstly, as can be seen from Table 2, ACCEC has five strengths when doing family business. In this thesis research, it has been identified what makes a family business different from a non-family business, i.e. the ‘family member’. As chapter 3.1.3 discussed, this unique

characteristic brings competitive advantages and threats in this family business. In the above table, it is indicated that the family member employees in ACCEC bring in lower managerial costs in comparison with a non-family company and achieved stable revenue. According to Mr. Ye (2013), there are three family members working as management level employees in the marketing department, procurement department and finance department, respectively. In addition, he describes that the other 11 family member employees are working as colleagues in ACCEC. It seems that the family member employees have created a strong sense of belonging and dedication to their family business during the almost ten years of their employment. Besides, based on the questionnaire analysis, employees have high acceptance of new modern technology and high interest of involvement in family business of ACCEC.

However, in the development of the family business, which needs the company to manage their family members for preparing succession strategy. The first step in this preparation process is being aware of, what is going on in the field of family business (Walsh 2011, 13). As can be seen from Table 2, there are five weaknesses in ACCEC. In China, “the main bodies of property rights in the family businesses include three super-economic relationships, so-called blood relationship, kinsfolk-relationship and regional relationship.” (Hu 2013, 1069.) The blood relationships include father and son or brothers etc. This kind of blood relationship always combined with property rights in the company. “The kinsfolk-relationship is defined as composed of some relatives, either individuals or families.”(Hu 2013, 1070.) In addition, the regional relationship could find good opportunities for the family business as social relationships in the local region. No matter which relationship in family businesses, there is a need for re-settling the property rights (Hu 2013, 1070). Therefore, the weakness of “property rights are not clear” in ACCEC mainly due to the history of family businesses in China. Besides, The answers to Question 7 displayed in Figure 5 also indicate the phenomenon of unclear property rights in the family business company ACCEC since it brings different business issues, for instance, conflicts of interests between family member and non-family member employees in ACCEC. It leads to having great influence on employees’ passionate and sense of belonging to ACCEC. Thus, in the case company, the property rights are influenced by poor family business management mode as well. Thus, it leads to the big trust gap

between the family members and non-family member in ACCEC. On the basis of interview with Mrs. Wang, the board has flaws as the family members in ACCEC get in the way too much. Besides, the two other weaknesses draw from the questionnaire analysis which indicates that there is no strong sense of trust and belonging to family culture as regards to non-family member employees and lower education of family member employees compared to non-family member employees.

Thirdly, as can be seen from Table 2, there are two opportunities of ACCEC. According to Mr. Ye (2013), the company is supported by the local government since this is a family business company and it is very typical of China today to introduce new modern management systems in China. Lastly, according to Mr. Ye (2013), the threats from other competitors in this kind of field and the instability of market are notable since products and technology have been updated rapidly in the building industry in recent years.

4.4 Summary

This summary draws on the results and discussions of both quantitative and qualitative data gathered from the two interviews from the CEO and the secretary of CEO in ACCEC separately and one questionnaire survey delivered to the employees of ACCEC. As the motivations and objective of this research, the research started with an interview with the owner of the case company.

From the perspective of the owner in the case company concerning the family business succession, firstly, he would prefer to choose a family member to be a successor if there exists a choice between a non-family member and a family member in compliance with the current situation of the case company. This preferred choice indicates that the owner has a strong sense of family culture, values and interests. Thus the researcher conducted a questionnaire survey to the employees of ACCEC for the sake of understanding the current situation of ACCEC and finding out the expectations concerning the family business succession from the employees' perspective.

Based on the discussion of the two interviews and the questionnaire survey in the sub-chapters above, it can be concluded that there are core characteristics of the case company and expectations from the employees as follows:

1) Poor management model

Firstly, in the interview with the owner of the case company, it was found out that the owner controls with both ownership rights and management rights. Moreover, according to Wang (2013), the board is not the real board. Besides, as is seen from above in Figure 5, the respondents have given the three most critical issues that are associated with the company. All the three critical issues give evidence to the poor management model. Meanwhile, Figure 7 also indicates the poor management model in the case company since nearly a half percentage of employees are ever considering leave from the company. Therefore, the case company should enhance communication with employees in the family business and there is a need to reform the board of directors in ACCEC. Following these developments, the case company can strengthen the sense of belonging to its employees to the company.

2) Feudal family business culture

As is seen from above in Figure 4, there is no strong sense of trust and belonging regarding the non-family member employees. It seems that family member employees dominate the family business and serve its interests for family interests in ACCEC. Moreover, according to Ye (2013), which indicates that feudal culture integrate into business despite the stable development in ACCEC recently.

3) Expectation for the non-family member to take over business

As is seen from in Figure 8 and 9, Majority of employees would like to accept outsiders to manage the business during the transitional period. Besides, Mr. Ye (2013) points out that he would accept a non-family member as well and he would only transfer management rights to the successor during the transitional period.

4) Expectation for requirements from the successor

Based on the empirical findings, the employees are expecting to have the successor who has good judgment and can see the total picture, has high integrity, professional management knowledge and skill.

5 DESIGNED SUCCESSION STRATEGY FOR ACCEC

The core characteristic of family business succession is purpose for sustainable development continually. In the case company, According to Mr. Ye (2013), he would only transfer management rights rather both ownership and management rights to the proper successor during this special transitional period. Moreover, according to Walsh (2011, 15), the family business succession plan consists of two processes which includes management succession planning and ownership succession planning. The two processes can be undertaken once a time or separately. Thus, the strategy I proposed is for management succession of ACCEC in the transitional period.

For the sake of management succession process successfully, the current owner needs to be satisfied with management succession planning and the successor has core competences to manage businesses (Walsh 2011, 23). Therefore, for implementing management succession successfully in the transitional period of ACCEC, it is necessary to address management succession obstacles in the family business when a successor takes over management right from the owner of the case company. In this chapter, firstly, it starts with the illustration of four alternative strategies for successor plan on the basis of the discussion of Confrontation Matrix in ACCEC. In addition, it presents the reasons for choosing the best strategy from the four alternative strategies for successor plan in ACCEC based on the perspectives and expectations of employees for family business succession. Lastly, this chapter put forward the suggestions for family business governance of ACCEC when concerning family business succession based on the empirical research.

5.1 Discussion of a Confrontation Matrix in ACCEC

Above in SWOT analysis was guided in the right direction for designing strategies for the successor plan of the case company since the company was given an important insight about their current situation. Thus, in this sub-chapter a Confrontation Matrix is a useful tool to put SWOT analysis into action. As can be seen from Table 3, Confrontation Matrix tool leads to four categories of strategies, i.e. Maxi-Maxi strategies, Maxi-Mini strategies, Mini-Maxi strategies and Mini-Mini strategies. Table 1 shows the Confrontation Matrix

analysis of ACCEC.

	<p><u>Internal strength (S):</u></p> <ol style="list-style-type: none"> 1) Low managerial cost in ACCEC. 2) High acceptance of new modern technology in ACCEC. 3) Good revenue and stable development within ACCEC. 4) Advantageous family culture values from family member employees and owner. 5) High interest of involved in family business. 	<p><u>Internal weakness (W):</u></p> <ol style="list-style-type: none"> 1) The property rights of ACCEC are not clear. 2) There is a big trust gap between family member and non-family member in ACCEC. 3) Decision-making mechanism is highly imperfect. 4) There is a disadvantage of family culture value (No strong sense of trust and belonging to family culture as regards to non-family member employees in ACCEC) 5) There is a low education level among family members.
<p><u>External Opportunities (O):</u></p> <ol style="list-style-type: none"> 1) Financial support from local government. 2) Trend for introduction of modern management system in China. 	<p><u>SO:</u></p> <p>Maxi-Maxi Strategy</p> <ul style="list-style-type: none"> • To professionalize a family member employee who has deep connections with family values and culture as a successor. (S1,S2,S3,S4,S5,O1,O2) 	<p><u>WO:</u></p> <p>Mini-Maxi Strategy</p> <ul style="list-style-type: none"> • To professionalize a non-family member who has deep connections with family values and culture as a successor. (S1,S2,S3,S4,S5, O1,O2,)
<p><u>External Threats (T):</u></p> <ol style="list-style-type: none"> 1) Since products and technology are updated rapidly in the building industry, it leads market to become unstable. 2) As there are competitive family businesses in the field of building industry in the same town, the keen competition is the external threats. 	<p><u>ST:</u></p> <p>Maxi-Mini Strategy</p> <ul style="list-style-type: none"> • To employ a professional manager from outsider as a successor immediately. (S1,S2,S3,S5,T1,T2) • To employ a family member who has good management skills and experiences as a successor. (S1,S2,S3,S4,S5,T2) 	<p><u>WT:</u></p> <p>Mini-Mini Strategy</p> <ul style="list-style-type: none"> • To professionalize a family member employee who has deep connections with family values and culture as a successor. (W4,T1,T2) • To employ a professional manager from outsider as a successor immediately. (W1,W2,W3,W5,T1,T2) • To employ a family member who has good management skills and experiences as a successor. (W4,T2)

Table 3 .The Confrontation Matrix analysis for successor strategies in ACCEC

- 1) Maxi-Maxi Strategy is for maximizing internal strengths by taking greater advantage of opportunities. There is one strategy designed to summarize on strengths and opportunities defined above sub-chapter. As seen from the Table 3, this strategy takes advantage of all strengths and opportunities of ACCEC. Professionalizing a family member employee who has deep connections with family values and culture as a successor is one alternative strategy for ACCEC. Firstly, Combing the strength of low managerial costs (S1) advantageous family culture value of family member employees and owner (S4), the company could firstly determine to choose a family member as successor in this circumstance. Besides, the employees in ACCEC have high acceptance of new modern technology (S2), as well as the employees are having a high interest involving in the family business (S5). This could seem a foundation to take advantage of the modern management system in China (O2). Thus, these conditions create the opportunity for family businesses to be professional since the introduction of modern management system in the company. Moreover, combing the opportunity of the government supports (O1) and stable development in ACCEC (S3), the case company has a good financial base for introducing a modern management system to training family member to be professional as a successor. Therefore, it can try to professionalize a family member as a successor in the transitional period. However, the shortcoming of this strategy would take a long time for the situation of ACCEC.

- 2) Mini-Maxi Strategy is for minimizing internal weaknesses by taking greater advantage of opportunities. I proposed one alternative strategy for professionalizing a non-family member who has deep connections with family value and culture as a successor in the transitional period of ACCEC. The strategy takes advantage of all opportunities and avoids all weaknesses at the same time. Firstly, Since the case company has various weaknesses concerning poor management mode (W1, W3, W5) which are discussed above in the sub-chapter, the only way is to take the opportunity of the new modern management system and financial support from local government (O1,O2) to be professional when doing family business in ACCEC. Secondly, since there is no strong sense of trust and belonging to family culture regards to non-family member (W2, W4),

the choice of non - family members who has deep connections with family value and culture as a successor is the better for avoiding this kind of weakness.

- 3) Maxi-Mini Strategy is for minimizing external threats by taking great advantage of internal strengths. I proposed two strategies, i.e. to employ a professional manager from outside of the case company as a successor immediately and to employ a family member who has good management skills and experiences as a successor. Firstly, employing a professional manager immediately can avoid the threats from the unstable market (T1) and it would be more competitive than other family businesses (T2) in the same field of AnYi town since the professional manager has been training from different aspects concerning family business issues in the building industry. Thus, they can evaluate market correct relatively. Besides, according to Mr. Ye (2013), it is rare to see the other competitors of family business in the building industry to employ the professional manager. Then the action of employing the professional manager would refresh business to a certain extent. The other alternative strategy is complementary to the first one since the professional manager does not possess the strength of collection of family values (S4). In addition, since avoiding the external threats of ACCEC, the main point is that when employing a family member as a successor, it is necessary to pay attention to the characteristics of good management skills and experiences in the building industry.
- 4) Mini-Mini Strategy is for minimizing both aspects of external threats and internal weaknesses. As can be seen, the strategies listed in Table 2 are similar to some strategies listed in the Maxi-Mini strategy and the Maxi-Maxi strategy. The reason for the similarity was that the weaknesses and threats of the case company were converted to the opportunities and strengths.

Above it the four alternative strategies for successor plan in ACCEC based on the current situation of the case company. For my suggestion, there are only two alternative strategies for the successor plan suitable for the case company in the transitional period, i.e. professionalizing a non-family member who has deep connection with family value and

culture as a successor and Employing a professional manager from outsider of the case company as a successor immediately. The reasons are illustrated below.

From the supported by empirical research, according with Mr. Ye (2013), it is necessary to keep family values and culture in mind when doing family business. However, in regards to conducting the questionnaire survey from the perspectives of the employees in ACCEC, they would rather accept non-family member to take over the family business during the transitional period. Moreover, from the Figure 10 presents that the most important requirements of successor is to see the total picture and having integrity when doing family businesses. From the outcome of the questionnaires, it indicates that there are existing family business governance obstacles concerning the family business succession, i.e. poor management mode, Feudal family business culture. Thus, the case company needs to go to the new stage of professional management. Under this circumstance of ACCEC, I proposed the strategy of professionalizing a non-family member who has deep connections with family values and culture as a successor.

Based on the previous literature review supports, according to Dyer's (1989) perspective, there are three ways for professional management in the development of family businesses, i.e. to professionalize members of the family in business, to professionalize employees already working in the company or to bring in outside professional manager. However, Hall and Nordqvist (2008, 54) point out that Dyer's (1989) findings has flaws which is that the findings seems to assume that the activities made management become professional are mostly by the outside the family business, for instance, formal education and training. Moreover, it's worth noting that activities occur inside of the family business could also has an impact on the professional management, for instance, activities which connect with family values and culture in family businesses would be more acceptable to certain extent. In conclusion, the outsider activities of family business would not sufficient to the professional management, it is necessary to consider the inside activities of family businesses as well. Hence, I suggest to professionalizing a non-family member who has deep connections with family value and culture as a successor.

However, since it would take more time to train a non-family member becoming

professional and it is hardly to estimate weather to be succeeded for professionalization, the case company also could consider employing a professional manager from outsider as a successor immediately.

5.2 Recommendations for family business governance in ACCEC

This sub-chapter reveals the recommendations constructed for the aspect of family business governance in ACCEC, supported by the theoretical background of the extended family business concept. Through the recommendations, the company is able to tackle the main family business governance obstacles for implementing family business succession smoothly during the transitional period, as well as for a long term development of ACCEC.

In the previous chapter, based on the qualitative and quantitative findings, it was referred that the case company has governance obstacles when concerning the family business succession, i.e. the owner controls with both ownership rights and management rights, the board is not the real board, no strong sense of trust and belonging to family culture regards to the non-family members and there is a big trust gap between the family members and non-family members in ACCEC.

- Separate ownership and management rights

Since the case company needs professional management for help, then the owner needs to separate ownership and management rights clearly. Firstly the owner should make sure to transfer all management rights to the successor on the basis of regular supervisor by the company. Thus the successor would feel being trusted by the case company and have a strong sense of responsibility for the company. There is no doubt that the base condition is that the owner could realize the importance of talent for the development of ACCEC. Secondly, there is a need to provide the system to safeguard the harmonious relationships between the owner and the successor for development of the company in the transitional period. Moreover, as the previous chapter 3 has defined that the board has a role to build linking between management and ownership. Thereby, the board of directors has a role to supervise the system built between the owner and the successor in the transitional period.

- Improve the Decision-making mechanism

The empirical research indicated that there is no strong sense of trust and belonging regarding to the non-family member employees. It seems that family member employees dominate business and serves its interests for own family interests. It is necessary to distinguish family interests and the business interests. The decision-making mechanism in ACCEC is the Board of directors. Hence, I advise that it is necessary to construct the relatively reasonable decision-making institution in the board and obey it strictly. According to Mrs. Wang (2013), the family members dominate the decision-making rights in the Board, thus it would be better to suggest that the issues are discussed in the Board. The Board is only for members and not for the family members who are not stockholders.

- Manage the family components

As previous chapter 3.3.1 has defined that the effective family communication is crucial to management succession. The priority is to make proper arrangement for family member employees in the company. It should consider their practical contribution to the company, as well as according with the development planning of ACCEC. Thereby, it can minimize the gap between family member and non-family member in ACCEC.

- Strengthen the enterprise cultural construction

The empirical research indicated the feudal family culture values in ACCEC. It leads to there is no strong sense of trust and belonging to family culture regards to non-family member. Thus I propose to establish a new family enterprise culture of ACCEC which everyone share the same set of values, vision, mission in the case company.

6 DISCUSSIONS AND CONCLUSIONS

The main research findings and analysis were displayed in Chapter 4 and strategies were presented in Chapter 5 on the basis of the research findings. The objective of this thesis is to provide guidelines by designing strategies for the ACCEC concerning the family business succession in the transitional period. For the sake of reaching this one specific objective, relevant literature was reviewed and discussed with the empirical studies. In this chapter, the discussion of this research are presented, the answers to the research questions are provided, as well as suggestions for future research.

6.1 Discussions

In the Thesis work, the strategy for providing guidelines of implementing the family business succession in the transitional period was designed based upon both theoretical discussions and the empirical findings. According to the objective of my Thesis work, the core concepts of my Thesis work is the concept of 'Family businesses' and 'Family business succession' (henceforth without emphasis). The sources drawn from are established sources that explicitly define these two concepts. The concept of Family businesses was drawn from Getz, Carlsen and Morrison (2004), Barry (1975 cited in Getz & Carlsen & Morrison 2004) and Westhead et al. (1998 cited in Wenku.baidu.com 2003) and were also relies on Chrisman et al. (2003 cited in Wenku.baidu.com 2003) and Chua et al. (1999 cited in Getz & Carlsen & Morrison 2004), respectively. The concept of Family business succession was derived from Walsh (2011). This conceptualization has been discussed in the Chapter 3.

The aim of designing strategies for the family business in the transitional period is that the case company would be willing to make business successive from the long term business perspective although the owner tends to retire. Thereby, the strategy design includes a successor selection plan of ACCEC and how to tackle governance obstacles in the family business when concerning the family business succession in the transitional period. The discussion of the successor selection plan was based on the current situation of the case company and expectations from both

owner and employees' perspectives when concerning family business succession. Besides, the recommendation for tackling governance obstacles in the strategy would assist to implement family business succession process successfully. Thus, as a case study research, this Thesis work sets as an example of providing guidelines for managing family business succession when in the transitional period in building industry of AnYi town, China.

The strategy of integrating professional management into the family business of the case company. There are three ways for professional management in the development of family businesses, i.e. to professionalize members of the family in business, to professionalize employees already working in the company or to bring in outside professional manager (Dyer 1989). As for the case company, to professionalize family member employees is not corresponding to the current situation which is associated with the case company. Thus, the alternative choices are professionalizing a non-family member employee and bringing a professional manager from outsider as a temporary successor. Furthermore, in the development of Dyer's theory, Hall and Nordqvist (2008, 54) point out that integrating professional management into businesses is not only depend on the outside activities of family businesses. In other words, the outside activities from family businesses is not sufficient for professional management in businesses. Thus, it should be also taken inside activities from family businesses when doing the family business in ACCEC. For instance, The activities which are connected with family value and culture with family businesses would be more acceptable to the case company. Therefore, two specific alternative choices. i.e. to professionalizing a non-family member who has deep connections with family value and culture as a successor, to employ a professional manager from outsider immediately.

6.2 Findings and conclusions

In this thesis, relevant theoretical knowledge was combined with the empirical study in order to acquire accurate answers to research questions. The theoretical foundations are based on literature discussing family businesses, governance of family businesses and succession in the family businesses. Based on the discussion of family businesses, the core characteristics of family businesses are highlighted. The theory of professional management was analyzed based

on Three circle model and Three dimensional developmental Model. Through discussing these two models, the obstacles occurring in the development of the family business and the family business succession were identified. Following the discussion of the empirical study of the case company and by the SWOT analysis was assisted in identifying the key obstacles and examining the current situation in the case company when concerning the family business succession. Thereby, the first research question was answered. There are mainly two obstacles when concerning the family business succession of ACCEC, i.e. the case company does not have a proper successor currently, key family governance issues impacting on the family business succession of ACCEC. The family governance issues of ACCEC which are include two aspects of the poor management mode and feudal family culture. The details of family governance issues of ACCEC which can be found in chapter Four. The second research question is through the Confrontation Matrix analysis of ACCEC in Chapter 5, strategies were designed to assist the case company by having the successor type plan and giving recommendation for tackling the family governance issues for the case company in the transitional period.

Through the feedback and evaluation from the CEO of ACCEC, the positive answers were got as regards to the findings of this research. The strategies will be used in the future business succession of ACCEC, i.e. to professionalizing a non-family member who has deep connections with family values and culture as a successor. Moreover, the second strategy for employing a professional manager from outsider is for the backup plan in ACCEC. Furthermore, ACCEC had planned to tackle the family governance issues within in the company on December this year.

6.3 Suggestions for future research

Through this research, the key obstacles of ACCEC managing family business succession in its transitional period were tackled. Furthermore, the suggestions for the development when concerning the family business succession were proposed. However, due to limited time in regards to the framework of a Bachelor's Thesis work, only guideline was provided instead of detailed operational plan, for instance, how to select a professional manager from outside how to train non-family member who has deep connections with family values and culture as a successor.

Further research will be needed to make it possible to focus on investigating the impact of family business succession in the transitional period. For instance, it would be possible to discuss how to balance the requirements from different stakeholders in ACCEC in the process of family business succession. Furthermore, I would also suggest investigating how to build an institution of human resource department in the transitional period.

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APPENDIX 1

Appendix 1

1(3)

INTERVIEW WITH XIAO YE, THE OWNER OF THE ACCEC, WAS CONDUCTED ON 19THJUNE, 2013.

Interviewer:-What is your type of your family business?

Interviewee:-My business is mainly to produce concrete and metal building material. As well as selling building products to customers. The company was established in 2002 and according with the demand of market and the increasing demand of estate business in China, now it is specialized for floor manufactures and supplies in Anyi town. As I known, in Guangdong, Jiangxi and Zhejiang, many family enterprises focused on processing trade. My business in future is planning to focus on both producing material and selling material to other cities not only in Anyi area. Usually, I applied effective communication skills to gather resources to overcome difficulties in my workshop, capital and technology. In my experience, relying on human resource relationship in the field of building industry was effective way to do business.

Interviewer: -why are you eager to implement family business succession of your company?

Interviewee:- well, the company has been rapidly development since it has established for almost ten years. However, the entrepreneurial process made me sacrifice a good body due to high intensity work during these years. I want to start a fresh retired life with my rest of my life, i.e. have more time with my family and old friends and to realize my other dreams when I was child. Company is like a big family, I must ensure that the company can continue running well before retirement. Therefore, the company need to have a good leader is now the biggest problem so far.

Interviewer:-what is the perspective of you concerning family business succession in your company?

Interviewee:-As Chinese people will inevitably have a Chinese tradition, i.e. the son takes over father's business. In my situation, my son is not ready for take over the family business since his studying in high school. I hope my son can take over business with whole ownership and management rights after he finished his study business major in university. Thereby, if I wait until my son to become mature within field of

business, then it needs to too long a time and it is not consistent with the development of company. Thus, I expect to have a temporary successor in this transitional period to manage family business for few years when I retired. However, I have no idea how to be successive when I intend to retire. Most importantly, it is necessary to according with the situation of the case company when ACCEC to selecting a proper successor. Em...emm..but I would prefer to select the family member to be a successor if there have choices during transitional period. In my understanding, it would be nice to keep family culture and value in mind. Well, this is just my own expectation and I would like to honor employees' opinion.

Interviewer: -Do you think what the obstacles for you when concerning managing family business succession in your company?

Interviewee: - As I told you, the biggest obstacle is has no proper successor so far. Additionally, for me, it is tough to separate ownership and management rights since I have two identities in the company. Thus, when managing family business succession, I think it would be better to separate ownership and management rights when doing family business. I got few feedbacks from last few years, the employees are not satisfied for me to have two identities in the company when doing business. I have no idea I mean I started this company and I dedicated my time to make business developed, eventually I got not so good judgment.

Interviewer: -What kind of external opportunities influences family business succession?

Interviewee: - The local government has been supporting family businesses since family businesses are the engine for economic growth in AnYi town. The financial support and relax economic policy made family businesses growing fast. Moreover, Though I can hardly to see the other competitors are employee professional manager for managing family business in AnYi town, there is a trend for business to integrate into modern management recent few years in China.

Interviewer: - Then what kind of external threats of ACCEC when concerning family business succession?

Interviewee: - when doing business in building industry, it is hard to forecast what kind of

products are selling well year by year, the market is unstable since the demand of customer are changeable. In addition, the technology update rapidly with product, our company would be threat by other competitors in the building industry of AnYi town.

APPENDIX 2

Appendix 2

1(2)

INTERVIEW WITH LING WANG, THE SECRETARY OF CEO IN ACCEC, WAS CONDUCTED ON 19THJUNE, 2013.

Interviewer: - Since you are responsible for activities assigned by CEO and the board of director, it might be tough for you doing work for both sides of CEO and the board, are there existing any obstacles when doing business in ACCEC from your point of view?

Interviewee: - Actually I have mainly work for CEO since the board is not the really board, it is like the place where to pronounced decision by family members. Usually they have already discussed issues in family business meeting before. Thus, I just follow the rules and conclusions by my big boss, Mr. Ye. The truth is in the board meeting, the right of speech is always priority for family members even who they are not stockholders. It is common to make decision by family member employees in family businesses enterprises, however, there is no point for company to set up the board of directors, in my opinion, it should be reconsider the role of the board and take the other shareholders into consideration.

Interviewer: - I got information that you had worked in HR department before, besides you known well for the the general talents situation of the case company. Then what kind of talents in ACCEC?

Interviewee: - ACCEC is composition of 16 family members when it was established. After the development of the company, there are 14 family member employees and more than 100 non-family member employees are working in ACCEC. Three of 14 are working in marketing department, procurement department and finance department, respectively, as well as they are the member of the board. These three departments are the key departments in ACCEC. The other 11 family member employees are working in other departments of ACCEC. From general view, I expect ACCEC could employee people who are more professional and talented working in here

since the different demands of different departments in the company.

Interviewer:- As an older employee in ACCEC, do you think have any expectations when concerning family business succession in this transitional period?

Interviewee: -I hope to tackle the obstacle when concerning succession plan. It is the first step to solve problem when concerning family business succession. As I referred in our interview, I really hope to reform the board of directors and I am confident the company has capable of managing succession in transitional period.

APPENDIX 3

QUESTIONNAIRE

Appendix 3

1(2)

Dear dedicated employees,

ACCEC is planning to start business succession next year 2014. Could you please fill in this questionnaire? By participating you will help us to implement family business succession in ACCEC. Our goal is to find out current situation that is associated with the case company and discover your expectations of family business succession. You can help us reach this goal. Filling in the questionnaire will only take you a few minutes. This survey is anonymous, and the results will be dealt with confidentiality.

Thank you very much for your contribution.

Best regards

Ye, Xiao

CEO of ACCEC

You are: Family member in ACCEC Non-family member in ACCEC

Your education level: lower than high school higher than high school

1. How long time have you been working in this company?

Less in 3 years

3-5years

More than 5 years

2. Do you have an interest to join the discussion of company issues?

Yes No

3. Do you ever consider to leaving for other company?

Occasionally Never

4. Do you accept young people to take over business in the future?

Yes No

5. Do you accept non-family member to take over the family business?

Yes No

6. Do you think what kind of requirements need to have to be a successor? You can choose three requirements at most.

Has professional management knowledge & skills

See the total picture and has good judgment

Is committed &dedicated

Has an open mind to learn from others

Has high integrity

Others (please specify) _____

7. What kind of family business issues are there in the company from your point of view? You can choose three issues at most.

Conflicts of interests

Imperfect board of directors

Lack of communication mechanisms

No strong sense of belonging to the company

Low-education level of employees

Others ((please specify) _____

8. What is your advice for company development? Please write it down.
