

# The Relationship between Psychological Factors and Succession Intention of Heirs in Chinese Family Firms

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## **Abstract:**

Family firms have been omnipresent and have dominated economies around the world. In the worldwide, about 30 per cent of family firms survive into the second generation and only 10 per cent can finish the baton-passing process to the third generation. However, these rates are expected even lower in Chinese family firms. With regard to family firms, the importance and challenges of family firm succession became more evident. In the process of the succession, main stakeholders consist of the incumbent owners, the potential successors, the family and the family firm. This study focused on the stakeholder of potential successors and endeavoured to discover relevant factors that influence their willingness to succeed family firms. According to the literature review, a number of factors, which can be classified into individual factors, family factors and organisational factors may exert different influence on next generations' succession decision. Therefore, this study selected nine Chinese second generations to test particular influence of these factors. Interview was the primary data collecting method adopted. The results of the research revealed that some relevant factors coincide with findings from the literature review such as individual intention, responsibility, gender and certain organizational factors, while some other factors were new finding including the factor civil servant. However, the factors of personal abilities and primogeniture were found irrelevant in this study. This finding reminds the importance of family influence to the parents with family firm. In addition to the importance of responsibility, the first generation should respect their children's individual intention derived from personal needs and interest should be regarded as the core factor that lead to second generation's desire to join the family firm and a higher potential to sustain and improve the family firm's performance.

**Keywords:** *Psychological factor, Succession intention, Heir, Chinese family firms.*

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## I. INTRODUCTION

Family firms have been omnipresent and have dominated economies around the world. In 2006, *Hurun 100 Richest*, a Chinese prestigious magazine, published a "List of World Top 100 Long-span Family Enterprises". In the list, none of Chinese family enterprises was included. It reminded the Chinese old saying "Wealth does not last three generations" to the owners of family firms and the issue of family firm

succession was more recognized by the Chinese society. According to the global family firm research report conducted by Pricewaterhouse Coopers (2022), 21% of Chinese family firms are reported that having succession plan comparing to 35% in 2016, which had decreased 14%, and also the percentage is lower than 49% of global average[1-3].The short span of Chinese family firms was attributed to various reasons, ranging from the country's unique historical context to Chinese "pro-agricultural and anti-commerce" cultural tradition[4]. However, currently there is a lack of systematic assessment on factors that affect the process of Chinese family firm succession and its outcomes. Hence this study will devote its efforts to explore the influence of relevant factors from the potential successor's point of view.

### 1.1 Definition of "Family Firm"

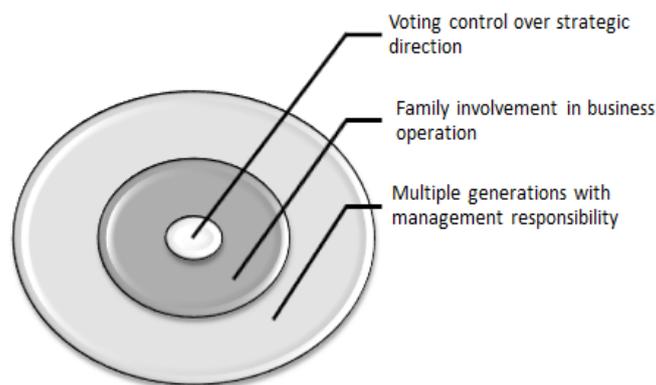
A research conducted under European Commission indicate that in all of the 33 European countries under analysis, "there is not a single definition of 'family firm' which is widely and exclusively applied to every conceivable area, such as to public and policy discussions, to legal regulations, as an eligibility criterion for support services, and to the provision of statistical data and academic research"[5].In 1982, Tagiuri and Davis firstly point out that the definition of family firm should encompass three independent but overlapping elements, i.e. family, ownership, and business. This is also known as "3-Circle" model of family firm (see Figure 1). As Lansberg[6]put it, each element has its own goal and expectations, which indicates that a family firm' decision process is compromise between these three elements.



**Figure 1: "3-Circle" model of family firm**

Astrachan and Shanker[7]propose the "bull's-eye" model of definitions on family firms based upon the level of family involvement in business operation (see Figure 2). In their model, voting control over strategic direction of the business is their only criteria of broad definition of family firm (the outer ring of the "bull's-eye"). According to this broad definition, family-owned companies occupied one third of Fortune 500 companies in the year of 2000[8]. In 2002, family-owned companies, which account for one third of S&P 500 reinvested approximately eight times (\$617.8 million) than their nonfamily counterparts (\$79 million)[9] and exceeded their counterparts in ROA (return on assets) by 6.65 per cent[9]. Astrachan and Shanker's middle definition comprises of family's involvement in the business' day-to-day operation in addition to voting control. Finally, their narrowest definition requires that both voting control of strategic direction and involvement in business operation are retained within the family across multiple generations. In accordance with Astrachan and Shanker's definitions, in the year of 2000, the amount of family firm in the

US ranges from 3 to 24.2 million, accounting for 29% to 64% of the national GDP, contributing 27% to 62% of the employment in the country. Ernst & young and the University of St. Gallen in Switzerland released the "2021 global family firm index", which ranks the global top 500 family firms based on their operating income in 2020. In 2021, the global top 500 family enterprises achieved a total operating revenue of US \$7.28 trillion, with a shortlist threshold of US \$3.2 billion, distributed in 6 continents, 45 countries or regions around the world[10].



**Figure 2: Astrachan and Shanker's bull's-eye model**

European Commission agreed a European definition of a 'Family firm' based upon the one proposed by the Finnish Working Group on Family Entrepreneurship. This European definition is as follows:

A firm, of any size, is a family firm, if:(1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.(2) The majority of decision-making rights are indirect or direct.(3) At least one representative of the family or kin is formally involved in the governance of the firm.(4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.

This European definition also includes sole proprietors and the self-employed (providing there is a legal entity which can be transferred). Under this definition, over 60% of all European firms are family firm in various sectors of different sizes. In addition, the experts of European Commission noticed that family firm "not only make an essential contribution to the economy, but also because of the long-term stability they bring, the specific commitment they show to local communities, the responsibility they feel as owners and the values stand for. These are precious factors against the backdrop of the current financial crisis"[11].

## 1.2. Chinese Family Firms and Succession Urgency

Compared to American and European counterparts, mainland Chinese family firms have witnessed a much shorter development span and received rather limited due attention from the academia. Since the introduction of economic reform and open-door policy in the end of 1970s, private-owned economy became

allowed by the mainland Chinese government and took off dramatically in the following 30 years. Currently, private economy has sufficiently proved its indispensable status in modern China's market economy in terms of quantity, registered capital, economic contribution, and employment. According to China Statistical Yearbook 2020 compiled by National Bureau of Statistics of China, the number of private enterprise increased by 61 times, from about 90 thousand in 1989 to 5.5 million in 2007. Moreover, the number of private enterprises in China increased from 10.857 million to 44.575 million, quadrupling in 10 years from 2012 to 2021. Meanwhile, the proportion of private enterprises in the total number of enterprises increased from 79.4% to 92.1% [12]. Furthermore, among China's private economy, families own and manage more than 90 per cent of private enterprises and the model of family-oriented management is widely applied in other types of private enterprises, such as township enterprises, collective enterprise, and joint stock enterprises [13].

As Lang [14] points out, due to the country's historical and economic background, the first generation of mainland Chinese entrepreneurs started up their business at their 20s or 30s in the beginning of the 1980s. Hence, China has to face an extensive wave of family firm succession in the next decade. Similarly, Yang [15] and Zhou [3] estimated that the majority of Chinese family firms will experience a succession phase in the next ten to fifteen years. As an important stakeholder of the family firm succession, the abilities of heirs, proper training for heirs and the next generation's succession intention gradually manifested their importance for successful intergenerational succession.

## **II. LITERATURE REVIEW**

### **2.1 Family Firm Succession as an Issue**

Intergenerational succession and leadership transfer is one of the most predominant research topics in family firm literature [16, 17, 18], an issue which concerns many family firm leaders [19]. In 1998, a ten-year balance sheet was drawn up by the Family Firm Review, in which family firm succession and management transfer appeared as the most frequently occurring subjects [20].

Family intergenerational succession is still the most popular means of family firms' management and power transition (and regarded as a crucial event that can determine a family firm's prosperity or decline [13, 21]). Ward [22] even defines a family firm as 'one that will be passed on for the family's next generation to manage and control'. Poza [23] points out that in children's formative stages, family firms endow children in the family with extensive accumulated knowledge about the business, employees, suppliers and customers. This knowledge transfer without formal efforts renders junior family members with significant advantages compared to outside competitors for management roles. Therefore, this background of long-term shared knowledge is an important reason that senior family members favour family succession in addition to the reason of kinship relation. From the family heirs' point of view, the established business and its credibility of family firms can benefit his/her career and life to a significant extent. This is because having a well-known and reliable reputation is certainly more popular among customers and stable relations are more favourable by suppliers. Furthermore, the added comfort of knowing and the probability of being fired by an outside boss, young people who dedicate to succeed their family firms face fewer risks than their friends who have to

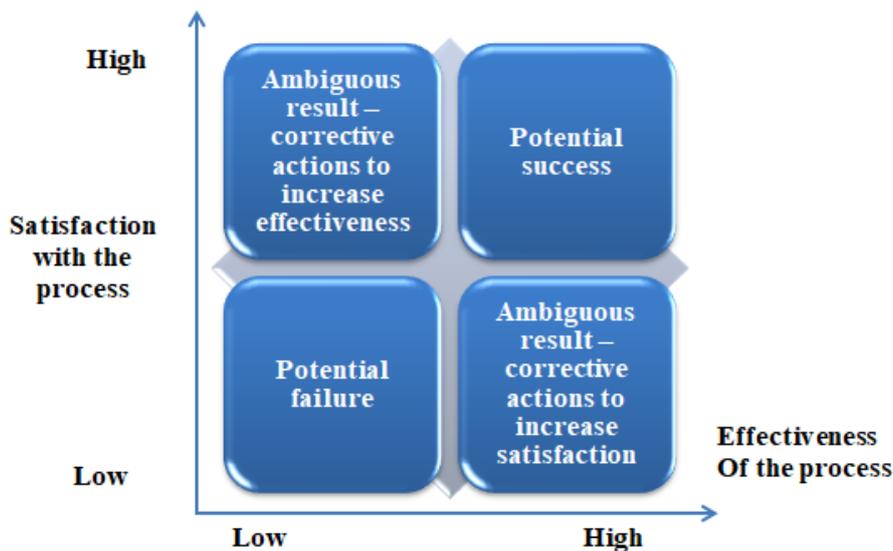
seek jobs in unknown companies[23].

In past literature, it is widely believed that only one third of family firms survive into the second generation and 10-15% pass it to the third generation[1, 2, 22]. This coincides with the 24-year average life span of a family firm, which approximately equals to the founder's tenure in the business[24]. After this time, even though the business may still exist, the family will often no longer retain the ownership and the leadership. Hence there are sayings stating that a family firm 'goes to the dogs' in three generations. For instance, in Mexico, it is said 'father-entrepreneur, son-playboy, and grandson-beggar'[25]. Similarly, an old Chinese proverb describes this phenomenon as 'Wealth does not sustain beyond three generations' (which is also known as 'from rags to riches and back again in three generations') [13].

## 2.2 Definitions of 'Successful Succession'

Facing such low succession viability, it is essential to identify vital players in the succession process firstly. As Collin[26] demonstrated, primary stakeholders in family firm succession are incumbent, successor, the organisation (family firm), and the family. Sharma et al.[27]asserted that the successor's succession intention to take over and his/her acceptance of individual roles are critical in fulfilling the succession process successfully. Among all stakeholders of family firm transfer, the role of successor and his/her relationship with the incumbent are regarded as significant in the success of leadership transfer[6, 22, 28, 29]. Hence, it is necessary and worthy to look into the potential heirs' perspectives on family firm succession.

Then, a definition of 'successful succession' as a premise should be coined. In 1989, Handler classified two dimensions to assess family firm transfer, encompassing all players' satisfaction with the succession process and the process's effectiveness per se. Sharma et al.[30] developed two dimensions: satisfaction is the 'subjective assessment by an individual about the process and decision regarding the selection of a new top manager' while effectiveness represents 'an objective determination of the impact on firm performance following the replacement of one top manager with another'. Therefore, a successful family firm transition has to be the result of both high level of satisfaction and effectiveness of the process (see Figure 3).



**Figure 3: Satisfaction, effectiveness and succession success[21]**

Pyromalis et al.[21] elucidated five critical success factors that influence either satisfaction or effectiveness dimension: (1) incumbent’s propensity to leave; (2) successor’s will to take over; (3) positive relations and communication; (4) succession plan; (5) successor’s appropriateness/preparation. Among these five factors, there are three factors directly relating to heirs, indicating imperative roles of their individual, family and organisational performance throughout the succession process.

Sharma[31] set two dimensions to assess family firm performance, i.e. business dimension and family dimension (see Table I). Family firms in Cell I are apparently successful family firm in terms of both financial performance and harmonious family atmosphere. In contrast, Cell II and Cell III firms are endowed with high levels of either financial capital or emotional capital, but lower performers with regards to the other dimension. Finally, Cell IV firms manifest poor performance in both dimensions, which are basically regarded as failure for a family firm.

**Table I: Performance of family firms[31]**

BUSINESS DIMENSION	FAMILY DIMENSION		
		Positive	Negative
	Positive	I <i>Warm Hearts</i> <i>Deep Pockets</i> High Emotional and Financial Capital	II <i>Pained Hearts</i> <i>Deep Pockets</i> High Financial but Low Emotional Capital

	<b>Negative</b>	III	IV
		<i>Warm Hearts</i> <i>Empty Pockets</i> High Emotional but Low Financial Capital	<i>Pained Hearts</i> <i>Empty Pockets</i> Low Financial and Emotional Capital

Along with the intergenerational succession, Cell I family firms may drift to Cell II or Cell III, even Cell IV. Therefore, the ultimate purpose of intergenerational succession is to bring the firm back to Cell I and maintain the situation by sustaining favourable performance with respect to both financial and family dimensions[23]. This ultimate purpose obviously poses significant requirements on potential successor’s mentality and capabilities. To be more specific, heirs of family firms have to not only maintain and improve the financial performances of the firm, but also sustain healthy and harmonious relationships within the family. In response, potential heirs may perceive considerable pressures and responsibilities to join the family firm and succeed it eventually. These pressures and responsibilities can derive from organisational factor (e.g. financial pressures), family related factors (e.g. relationship with the incumbent and other family members), as well as his/her own individual factors (e.g. personal abilities). This finding is generally among the same line with five factors of Pyromalis et al.[21].

### 2.3 Influencing Factors

Therefore, factors that influence next generation’s succession decision can be classified into three aspects, including individual factors, family factors and organizational factors (see Table II). Each category has three factors.

**Table II: Factors influencing next generation’s succession decision**

Category	Factor	Brief Description
Individual factors (related to potential successor’s individual consideration)	Motivation	Personal interest, individual needs, and career goals are main sources
	Attributes and Abilities	Individual attributes and abilities
	Responsibility and Commitment	Potential successor’s responsibility and commitment on his/her family firm
Family factors (interactive relationships between)	Family member relationship	Potential successor’s relationships with senior family member and sibling
	Primogeniture	The eldest son is expected to succeed the family firm

potential successor and family members)	Gender	Gender specificity and family's different views on different gender
Organizational factors (regarding the conditions of the family firm)	Family firm conditions	Influences of business size, market conditions, industry and business strategy
	Nonfamily members in the firm	Potential successor's relationships with nonfamily members in the family firm
	Endowment effect	Family senior members and incumbent members of firm are unwilling to change face changes

### 2.3.1 Individual factors

#### 2.3.1.1 Motivation of potential heirs

Individual motivation is generally regarded as the most important factor that influence a potential successor's decision to join or not join the family firm. For instance, in Cespedes and Galford's[32] case study on Tiverton Media Corporation, the potential successor's low motivation turned out to be a vital factor that resulted in the failure of the company's succession plan. In past literature, personal interest, individual needs, and career goals may be main sources of a potential successor's motivation. Ambrose's research[33] on 52 family-owned companies revealed that offspring's limited interest was the most common impediment that stopped inheritors from family firm succession. Birley's[1] study proved Ambrose's point of view, indicating personal interest as one of the top two most important factors in junior members' succession decision. Her study of 61 junior members from family firms in their final year of university also found that family junior members were generally more interested in strategy and systems of the family firm rather than particular products or markets. Other works highlighted individual needs and goals as critical sources of successor's motivation. Stavrou's[34] study of 153 university students found that if individual needs and goals are met not have considerable effects on the inheritor's decision to succeed or not succeed the family firm. Handler's[17] in-depth interviews with 32 potential heirs discovered three components of their needs, including career interests, psychosocial (personal identity), and the life stage needs.

In addition to personal interest and individual needs and goals, some other factors were found influencing successor's motivation. For example, in Ambrose's study[33], alternative career choices due to higher education than parents, limited financial reward and security, and low perceived enjoyment and personal satisfaction derived from family firm are subsequent factors that undermined children's succession motivation after their disinterest.

#### 2.3.1.2 Attributes and abilities of potential heirs

A study of nearly 500 Canadian family firms[35] endeavoured to find out most important attributes of

heirs that considered by the senior generation of family firm leaders. The results revealed that integrity was one of two most vital attributes, followed by the ability of cultivating employees' respect, decision-making, and interpersonal skills. Their study also pointed out that skills such as marketing, sales, finance, strategic planning, and technical aspects, and even educational level and experience in business, turned out moderately important in family firm leaders' mind. Two years later[36], findings from another similar study in India were in line with the Canadian study. Stavrou's[34]study of 153 university students found that the heirs' choices to join or not join the family firm were related to individual skills, and abilities.

Among Chinese family firms, examples of heirs' ability affecting the succession outcomes were never rare. The founder of Hong Kong Lai Sun Group, Lin Baixin started from a clothing apprentice to the owner of five listed companies. However, since he appointed his second son, Lin Jianyue, as the Group's vice president, the trajectory his business switched to declining direction. The Lai Sun Group nearly went bankruptcy after the break of Asian Financial Crises partially due to Lin Jianyue's one 3-billion HKD irrational investment and one 7-billion HKD acquisition without his father's permission[4]. In order to avoid second generations with inability entering the company, the Chairman of Chint Group, Nan Cunhui, even proposed to set up "Black Sheep Fund" to take care of those major shareholders' children[4]. However, even if a potential successor possessed qualified capabilities, the succession might not happen for granted. After he graduated from university, Zhu Kangjian refused his mother's invitation of entering the family's textile company with considerable reputation in Zhejiang Province, China. He opted to embark on a career relevant to his university major of producing, researching and marketing the injection moulding machine. A few years later, Guangzhou Borche Machinery Ltd, his own established company, recorded a turnover of 500 million yuan (approximately £50 million) in 2005[37].

Looking back to previous examples and experience, a potential successor would have more confidence to take over the family firm if he/she perceived that he/she is the capable one to play a leadership role in the firm. Otherwise, his/her succession intention could be compromised. On the other hand, if a potential successor had significant ambition and excellent abilities, he/she might consider his/her own pursue other than family firm, leading to a family firm succession failure consequently.

### 2.3.1.3 Responsibility and commitment

A sense of responsibility appeared as one of two most important factors that contribute to inheritors' succession motivation in Birley's[1]study. According to his study, reasons for respondents' sense of responsibility are not related to family firms' size, structure or systems, but from their belief that family firm should continue and their desire to compensate for parents' lack of education and continue. The sense of responsibility often derives from the commitment to the family firm. Chrisman et al[35]revealed that commitment is regarded as essential attribute of potential successor by incumbent.

### 2.3.2 Family factors

#### 2.3.2.1 Relationships with family members

Stavrou[34]argues that the successor's decision to enter or not enter the family firm was related to issues

with the family but not the business. A harmonious family is more likely to facilitate the succession process[38], while conflicts and rivalries within the family may hinder or even suspend the process of succession[27].Lansberg[6] asserts that good-quality relationship between two generations is imperative for succession to happen. He also claims that even if the potential successor had interest and capability to continue a family firm, conflictive parent-child relationship might distort potential successor's succession intention to join the family firm. From Dyck et al[39] point of view, proactive and effective communication between two generations is the proper way to achieve mutual respect and understanding of the incumbent and the successor.

Similarly, potential heirs may be affected by their relationships with siblings, especially in family firm that has norm to share managerial responsibilities among siblings, which is called coparcenary[40]. For example, a printing and dyeing textile enterprise in Zhejiang Province, China, was established by a father and his three sons. As the father reached the age to retire, three sons could not achieve agreement on the ownership of the enterprise and it was split into three companies as a result[4]. Another similar example is Kets de Vries's[41] case study of the Nadia Corporation. The corporation ended up with a split into three parts due to conflicts between the three brothers. In this case study, it was also revealed the importance of family's commitment to the potential successor. Without commitment from family members, potential successor has to deal with numerous pressures from both the family and the business in day-to-day business operation. Consequently, he/she might have to abandon his/her candidacy or is forced to renounce the right because of some vital members' threat to leave the business.

### 2.3.2.2 Primogeniture

According to Barnes[42]and Dumas[43], the phenomenon of primogeniture (where the eldest son is expected to take over the business) still exists in family firm succession. In 1991, Chau pointed out primogeniture is still prevailed in East Asian family firms. It is generally agreed that the norm of primogeniture has negative influences on family junior members, the whole family, and the family firm. In Barnes's view, when a younger son or daughter succeeds the family firm, the incongruent hierarchies among family members lead to ambiguity and rivalry within the family, which give rise to the persistence of primogeniture in family firm successor choices. As a result, more capable family members will lose their opportunity to take over the business. On the other hand, as Malone and Jenster[44]suggested, incapable or uninterested eldest son may be forced to accept a long, unsatisfactory or plateaued career in family firm due to the norm of primogeniture.

Thus, birth order of a potential successor sometimes determines his/her status within the family, influencing his/her own perception of legitimacy and expectation to take over the helm.

### 2.3.2.3 Gender

The relations between gender and family firm succession was rarely examined and revised in past literature. Birley's[1] work indicated that the influence of gender on potential heirs' decision were not significant. However, it is obvious the fact that men and women possess distinctive attributes and

characteristics. For example, in terms of self-employment motivation, economic advancement and wealth generation are primary motivation for men, while flexibility between family and work, constructivism, and economic parity are main drive for women. Hence the role of gender specificity in succession process still needs more verification.

Despite lack of literature directly discussing influences of gender, it has been reviewed from the family's point of view. It is argued that sons are more favoured as candidate to transfer the family firm [45, 46] regardless of suitability [47] and women have to face perceptual barriers to reach senior management positions [48], known as 'glass ceiling'. Dumas's [43] study of 40 family members in 18 family firms compared father-son and father-daughter relationship. It is revealed that father-daughter relationship is different from father-son relationship in nature and more harmonious due to no threat to their fathers' power and control. Notwithstanding this more harmonious relationship, none of the daughters in her study were supposed to be heirs of family firms, or not even a potential member of the business, by their fathers. Hence she defined these daughters as "invisible successor" in her study. In 2007, Haberman and Danes's study [49] of 345 family firm management transfer cases verified the less competitive and conflictive, more collaborative and shared relationship between fathers and daughters than fathers and sons.

Therefore, it can be seen that gender influences a potential successor in a dual way. On one hand, gender specificity may give rise to different patterns of intergenerational relations, leading to various succession intention of next generation. On the other hand, parents normally have distinctive expectation on different genders, resulting in potential heirs' relevant succession intention in response.

### 2.3.3 Organizational factors

#### 2.3.3.1 Family firm conditions

In addition to individual and family factors, potential heirs may judge particular conditions of the family firm as their proxy for succession decision. Savarou's [34] study implies a positive correlation between the firm's size and inheritor's determination to enter the family firm. Therefore, considerable firm size is favoured by an inheritor, while limited business size perceived by potential successor can lead to a reduction in expectation of future financial return, resulting in their succession unsuccession intention eventually. Sharma et al [30] suggests that potential heirs may turn to outside opportunities due to actual or expected unattractiveness of the firm's financial performance.

On the other hand, market conditions were found impacting the potential heirs' succession intention. For example, changes of market conditions altered the whole business model of Tiverton Media Corporation, which altered potential successor's tasks. As a result, his succession intention was reduced [32].

Potential successor's decision may be affected by firm factors such as certain industry conditions or the business strategy of the company as well. Succession must take into account the contextual variables within the family, industry, and the society.

### 2.3.3.2 Relationship with nonfamily members

Bruce and Picard[50] identified that conflicts between potential successor and key nonfamily employees can be a barrier to successful succession. In Goldberg's [51] case study of Noren Discount Stores, conflict between the successor and key nonfamily managers resulted in the final failure of the business after the founder retired. Hence, conflicts with key nonfamily members in the family firm might discourage a potential successor to take over the business.

On the other hand, commitment to the potential successor by nonfamily members is important to guarantee smooth succession. In the Roland and Tone case, a number of nonfamily executives opted to leave the company when the successor was announced to take over the company imminently. Distrust in the potential successor by key nonfamily members can undermine family firm's performance and the potential successor might consequently refuse the position to end the succession process.

### 2.3.3.3 Endowment effect

Endowment effect is a concept in behavioural economics proposed by Thaler[52], which is also known as "loss aversion". The generalized meaning of this effect is that people normally value losses substantially more than objectively commensurate gains in trades[53]. In other words, the owner of an object has propensity for possessiveness and reluctance to change[41]. In family firm's context, the whole process of family firm succession can be seen as the family and the firm striving to bridge the relationships between past and future[47]. The existence of "founder centrality", which derived from formal and informal interactions between founder and top managers, enables a founder-owner have significant power in a family firm's strategic management and decision making and the firm's inertia to maintain the founder's strategic setting. On the other hand, the inner circle of the current top management in a family firm, who mostly are in similar ages, are prone to maintain the status quo and consciously or unconsciously refuse changes[6]. This phenomenon is naturally in conflicts with next generation's ambition to bring forth new ideas and strategies to adjust the firm's position in new external environment and mark his own sign on the business. Therefore, even though the junior generation possesses the talents and ideas, the endowment effect from senior generation in family firm may reduce the juniors' enthusiasm to pursue their own goals and interest in family firms, adversely affecting their succession intention to enter the firm as a result.

## III. METHODOLOGY

With regard to the research purpose, this study adopted a qualitative research method for three reasons. Firstly, as Denzin and Lincoln[54] point out, qualitative research often understands a phenomenon based on a social actor's meanings and analyses the circumstance in which the phenomenon naturally occurs. Similarly, Gephart[55] suggests that qualitative research uses social actors' meanings to discover their social life experience. Thus, it can appropriately study respondents' subjective reaction to factors that affect their succession decisions. Secondly, a second generation has to experience a certain process to form his/her final succession decision. This coincides with qualitative research's advantage of studying how social actors' meanings and their social experience are created[56]. Thirdly, qualitative research performs better to build

theories by analysing a phenomenon resulting from the societal members' interactions and meanings and relationship between variable in this phenomenon[55].

Among different qualitative methods, the case study approach was used to serve the research purpose. The case study is "a research strategy which focuses on understanding the dynamics present within single settings"[57]. Due to lack of literature focusing on Chinese second generations and time limitation for this study, main research resources for the study were some second-generation friends with family firms. In addition, the succession decision is a result of dynamic interaction between potential successor and relevant factors. Therefore, the case study approach became a proper option. On the other hand, functions of the case study approach include providing description[58], theory testing[59, 60], or theory generating[61, 62]. Applied with factors that derived from literature review, those factors frequently occur to western counterparts can be tested on Chinese family firm heirs in this study. Furthermore, new particular factors pertaining to Chinese second generations may be discovered and new theory might be built based on findings from selected cases. Therefore, case study can fundamentally meet these two aims of the study.

Data collection methods for the case study approach consist of archives, interviews, questionnaires, and observations[57]. This study adopted interviews and observations to collect data for cases. Semi-structured interviews were applied in this study as primary method to collect some basic information and respondents' description about their succession decision process and their subjective reflection. Due to geographic distance, six out of nine interviews were accomplished by face-to-face verbal interchange while the rest by telephone interview. The interviews were recorded through the conversation with interviewees' permission. Thereafter, every script was transcribed and adjusted in accordance with the recording.

The process of interviewing was designed comprising of three parts. The first part was four basic questions to obtain the general background knowledge of the interviewee and his/her family firm. Prior to this, interviewees were informed the purpose of the study in order to mitigate their private and commercial concerns and gain their trust. On the other hand, by indicating the academic purpose, this study tried to remove interfere of friendship when interviewees provide their personal information. Then, interviewees attempted two open-ended questions. The first one encouraged them to describe their own understanding and feelings of their family firm by the time they are considering succession decision. The other one was the core question of the whole interview, which aimed at discovering main influences and drives that lead to second generations' current succession decision. The final part was to subsequently examine the effects of personal career plan, family pressures, individual ability concerns, and business size and strategy on interviewees' decision process.

As Fontana and Frey[63] point out, structured interviews 'aims at capturing precise data of a codable nature in order to explain behaviour within pre-established categories', whereas unstructured interview 'attempts to understand the complex behaviour of members of society without imposing any a priori categorization that may limit the field of inquiry'. Therefore, in the first and third part, structured interview questions were set to ask for respondents' clear response and answer for family firm information and personal plan and attitude. In contrast, the second part used unstructured questions to reveal particular influences of individual succession decision.

Another data collection method was observation based on the close and long-term friendship (1 year to 16 years). Thus, by “observation”, it means acquiring information through the long-term recognising, communication, understanding, and interaction with respondents. However, during the process of record and analysis of the information, the study mitigated personal subjective and emotional interfere in order to remain unbiased. All cases were selected based on personal social network. Nine interviews were finally accomplished and those respondents were selected according to the following criteria: (1) interviewees are all second generations from family who have family firms; (2) interviews already had their succession or not succession plans in their mind; (3) interviewees are between 18 years old and 28 years old.

In order to foster comparison, a relatively equal number of second generations with succession intention and without succession intention was selected intentionally. One of main aim of this study is to address the influence of gender specificity on next generation’s succession decision. Eventually, only three female respondents were found as female potential heirs with distinctive succession decisions. One of them has already joined the family firm but the other two expressed that they will not work for the family firm.

In relation to case selection, this study did not limit the industry or the business size of the family firms in order to examine if these factors have effects on next generation. When all interviews were finished, the results showed that five respondents had their own career plans; one respondent’s career plan remained; and four did not have any significant career plans. This was not the original intention but it assisted further analysis on the relationship between personal ambition and needs, and their impact on a succession decision.

#### IV. RESULTS

Primary factors illustrated by second generations that influence their succession decisions were summarised and clarified as below(see Table III and Table IV).

**Table III: Reasons for succession intention in the family firm**

	<b>Factors</b>	<b>Example Quotation</b>
1	<i>Family firm can meet personal development needs and goals</i>	<p>Cao: I think the family firm can teach me a lot of skills and capabilities that I need to implement my own projects in the future. This is the reason why I want to work for my father. In addition to gaining capability, working for our family firm is the way to accumulate capital and other resources for my future investment in elsewhere.</p> <p>Chen: My ultimate goal in my mind now is to open up my own investment bank. Hence I will learn further financial knowledge for like four years and gain some experience outside for three or four years. Then, I will enter my father’s business and become the general manager in a couple years. Firstly, my aim will be sustaining the business’s development. Then, I will see if there is an opportunity to organize and integrate my family firm resources to fulfil my plan. Actually, my father and I are already discussing how to re-structure</p>

		<p>the family’s multiple businesses.</p> <p>Shu: In my opinion, to be your own boss is the fastest way to learn what you need and gain social experience. In a boss’s position, you must have your own view and plan; you can implement the plan on your own intention; you can harvest all the fruits of your success and otherwise you have to shoulder all the responsibilities for your mistake and failure. Fortunately, my family firm provides me with such a good opportunity to my own boss and implement my own business project.</p> <p>Zhou: I should take over the family firm first, run it well and then harness resources from it to invest in other industry. I think this is the right way I will go after my graduation.</p>
2	<i>Gloomy job market and job prospects</i>	<p>Cao: I found a job in a washing machine factory and worked there for 4 months. It was quite very poorly paid to work for an outside boss. The salary was only about £220 for a month. And I felt the job was not promising.....After I quit that job, I have not found any ideal project (job) and I failed my second Civil Service Exam. Thereafter, I decided to join my father’s business.</p> <p>Shu: In my last year of undergraduate, I strived to enter the Xiamen University for accounting master degree, but I failed unfortunately. Then, I tried hard to enter the Wal-Mart but the company refused me eventually. On the hand, I had little interest in other companies that offered me some opportunities...</p>
3	<i>the factor of Civil Service Exam and Civil Servant</i>	<p>Cao: Originally, I want to be a civil servant in Ningbo, Zhejiang Province and my family encouraged me to do so. However, I failed the Civil Service Exam when I was in the final year of university. The next year, I tried my second Civil Service Exam, but failed again. I will try my last exam at the beginning of next year. If I failed the third time, I would definitely succeed the family firm.</p> <p>Chen: Throughout my whole undergraduate, I dedicated to be a national civil servant in my future and my father supported me certainly. However, when I finished my first master degree and worked as an internship in Zhejiang Provincial Development and Reform Commission for two months, I perceived that our governmental institutions are extremely bureaucratic and jobs there are uninspiring for me. Thereby, I cancelled my civil servant plan eventually...</p>
4	<i>Responsibility and commitment</i>	<p>Chen: My father is old now, but he is still exploring new areas to investment. My parents have spent most of their lives on the family firm but enjoyed very little leisure. On the other hand, my sister become more family-oriented after giving birth to a baby and my brother-in-law is not capable to handle the business. Thus, I think I have to the one who should take over the business to cope with new</p>

	<p>stuff.</p> <p>Shu: My parents are really supportive to all my plans. I once had a plan to run a 4S car shop. Due to too much investment needed, I gave up this plan. But my father supported my plan all through the process. With regard to my other opinions, my parents also paid significant attention and never ignore my feelings. Hence, in return, I think I should do my best to compensate their support and love. And pharmacy chain stores contain their so much work...</p> <p>Xiao: ... I just want to contribution my effort to the family. About factors that determine my decision, I have to attribute to the responsibility to the family, especially for my father and my grandma...</p> <p>Zhou: I just think that the family firms have to be continued and that person obviously is me.</p>
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**TableIV: Reasons for not succeeding the family firm**

	<b>Factors</b>	<b>Example Quotation</b>
1	Individual alternative pursue	<p>Cai: I have got my own vague plan for my own career. I want to return to my hometown, Shantou, to embark on hotel business there... compared to dynamo producing and selling, I have much more interest in hotel business and I plan to undertake my second master degree on hotel management...</p> <p>Tian: ...Although I am not totally sure about what am I going to do, I have strong feeling that I should do something else than what my father's doing. Thus, I decided to explore the outside world other than my father's business after I graduate from the master degree.</p> <p>Wang: ...my consistent dedication is to be a good teacher when I finish my study... I have extensive enthusiasm to teach students and see their growing...</p>
2	Intend to be a civil servant	<p>Zhang: To be a civil servant is my primary goal. For one thing, this is the way how I can realize my dream to serve citizens and improve people's life. For the other thing, this is my father's expectation on me as well. It has been long time that I am told by my father civil servant is a decent and promising job for me...</p>
3	Not satisfied with the family firm	<p>Tian: ...Some same problems happened frequently and can happen again and again in the company. In my own opinion, these problems are simple and easy to eliminate. Unfortunately, I can hardly see my father's progress to set up relevant principles and rationalize the management to mitigate these problems...</p>
		<p>Cai: Another reason is that I am a girl. Emotionally, I have gradually realized that I have the need to find a decent husband and build my own</p>

4	Gender specificity	<p>family. On the other hand, I am afraid that as a girl I cannot be capable to sustain my father’s business.</p> <p>Wang: ...I have never considered being the successor of my father’s business as the youngest daughter with two elder brothers. There is no doubt that my family never expected me to do so as well. As far as I know, my father plans my second eldest brother to take over the firm after his retirement...</p>
5	More succession intention to spend time on future own family	<p>Cai: ...my mother expected me to find a husband there (her hometown) because she prefers a son-in-law speaking their dialect... Emotionally, I have gradually realized that I have the need to find a decent husband and build my own family...</p> <p>Wang: Personally, I expect to find a good husband in my hometown Xi’an. The job as a teacher can ensure my time for my future family...</p>

## V. CUSSION AND IMPLICATIONS

### 5.1 Personal Motivation – *the Determining Factor*

According to results of nine interviews, it is clear that individual motivation was a determining factor for most cases during heirs’ decision process (see Table 3 and Table 4). With regard to respondents with succession desire, the match between individual motivations and needs and his/her family firm significantly boost their succession intention to enter the family firms (in cases of Cao, Chen, Shu, and Zhou). On the other hand, with respect to potential heirs without succession intention, individual motivation for pursuing alternative objectives played predominant roles as well (in cases of Cai, Tian, Wang and Zhang).

Based upon the literature review, personal motivation towards entering the family firm or pursuing an alternative career mainly derives from personal interest, career goals, and individual needs. Handler[17] identified three components of individual needs, i.e. career interest, psychosocial (personal identity) and life stage needs. From cases of this study, these motivation sources and different needs were largely witnessed. During the interview with Shu, the interviewee who had worked for his family firm for just two months passionately elucidated his own comprehensive and in-depth development plan for his family’s pharmaceutical chain stores. According to his description, he had thoroughly considered issues around his family firm and the pharmaceutical retailing industry in his home town, came up with his own related ideas and strategies, discussed with his father actively, and ultimately came to family agreements. Thus, it is reasonable to infer that working for his family firm fundamentally meets his career interest to design and implement a business expansion and his life stage needs to testify his abilities. Then, he presented his view on learning by saying that ‘to be your own boss is the fastest way to learn what you need and gain social experience’. Thanks to his father’s support and understanding, Shu said he felt comfortable thinking problems through and expressing his own opinions freely. Moreover, he acquired some authority and power to implement his projects within the firm. Hence, he appreciated this good learning opportunity in the family

firm and he also perceived his personal identity was recognized by his family as well as by employees of the family firm. Similarly, Chen had strong career interests and goals for the family firm. With regard to his father's various businesses - from financial investment to manufacturing industry- , he intended to learn and succeed these businesses from his father after his graduation and then integrate these resources to focus on investment business. Hence he regarded his family firm as a foundation that was laid by his parents to realize his own ambition. Other two interviewees, Cao and Zhou, both implied their intentions to sustain the family firms' performances first and then seeking for other industries or projects to invest in and develop. Among these four cases, Chen and Shu put forward these individual motivation-related reasons as the primary reasons when they were answering the open question (to describe factors influence their succession decisions) and Cao and Zhou regarded this as an important reason for the same question.

In addition to individual internal motivation and needs, some external factors were found playing as stimulus for heirs' motivation. The most outstanding factor was the gloomy job market. Unfavourable alternative job conditions force some second generations back to their family firms. For example, Cao once worked for a washing machine factory after he graduated from university and quit after four months. As he said, the salary potential was not very optimistic there and no bright future could be seen for that job. Therefore, he left that factory, helped his father's business thereafter and prepared for another civil servant exam at the same time. Zhou also observed difficulties to find decent jobs and decided to take the family firm. Shu joined the family firm after several attempts in the job market and higher education degree but all failed eventually. Chen opted for family firm due to his disappointment on efficacy of Chinese government after two-month internship in one governmental institution. These events profoundly undermined their expectations on the job market and reversely increase their succession intention to join their family firms.

These four respondents' unfortunate encounter in job market revealed another phenomenon that none of them had considered succeeding family firm as their career priority despite the attractiveness of family firms they might already know. Each of them had their own original alternative career plan, including Chen and Cao's civil servant plan, Shu's 4S Car Shop plan and Zhou's plan to invest in an electronic equipment factory. Although motivation on family firm was still the vital driver, they all eventually opted for their family firm after a trade-off between the competitive job market and the attractiveness of family firms.

In spite of opposite decision outcomes, potential heirs without succession intention reached their determination primarily based on their personal motivation as well. If the family firm was not in the same line with potential successor's designed career path or particular conditions of the family firm could not satisfy potential successor's career needs, next generations might have little motivation to enter their family firms consequently. Cai had her own hotel business plan since her university ages while Wang intended to be a teacher after graduation. Zhang, who had one-year master degree study left, dedicated to join the national civil servant system to pursue his political ambition and gain political benefits for his family firm in this way. The case of Tiao wanted to chase his own business career beyond his father's business with regard to the family firm's limited business size and irrational operation model in his view. Along with some other factors, their own different pursues led these four cases to rejections of the family firm successor positions.

To sum up, individual motivation turned out to be the determining factors for potential heirs to enter their

family firms or not in most cases of this study.

### 5.2 Responsibility and Commitment – *the Facilitator Factor*

In this study, seven respondents expressed their sense of responsibility to their parents and their family firms in the interviews. The sense of responsibility derived from appreciation for parents' years of hard work (Tian, Wang, Zhang, and Zhou), the desire to guarantee parents' pleasant post-retire life (Chen), as well as the return for parents' understanding and support (Shu). In the case of Xiao, her responsibility and commitment to the family firm mainly resulted from his grandmother's enlightenment and persuasion as well as respect and respect towards his father. This finding confirmed Birley's [1] study that sense of responsibility widely exists among potential heirs. Furthermore, two future heirs in this study (Shu and Zhou) did not believe business size, structure and other condition had influence on their succession decisions. Zhou just felt the family firm should be continued due to his sense of responsibility. These all echoed Birley's findings.

Nevertheless, notwithstanding their sense of responsibility, three (Tian, Wang, Zhang) of these seven respondents rejected the baton of their family firms. These respondents abandoned their rights to succeed their family firms due to other reasons, which mainly related to individual motivations. Among other four respondents decided to take over the rein of family firms, only Xiao regarded the sense of responsibility and commitment as the priority reason for the decision while other three place the responsibility as subordination factors for their decision.

Therefore, according to selected cases, responsibility and commitment to family firm are hardly regarded as dominant factors that influence second generations' succession decisions. For potential heirs who already had succession intention, sense of responsibility and commitment played as facilitators to pin down their determination, whereas same sense of responsibility merely somewhat delayed unwilling second generations' leaving from their family firms.

### 5.3 Abilities and Attributes – *the Invisible Factor*

When the respondents were asked to describe factors affecting their succession decision (the open-ended questions), the factor of personal abilities and attributes were surprisingly little mentioned in interviews. All nine respondents only started to think and talk about their personal abilities and attributes when the structured question to examine the influence of this factor was asked. Among interviewees with succeeding intentions, only Xiao presented her concern on her capabilities to succeed her father's coal trade agency. Chen and Shu showed relatively objective evaluation on their own abilities. They both presented their confidence to take over and sustain the firms' current performance according to their past activities and experience. On the other hand, Chen pointed out that he needed more learning and practice in order to improve his father's business into another level. Cao also expressed his sense of developing individual abilities. Nonetheless, his self-assessment of current abilities and needed ability turned out to be very vague. Zhou, however, had not found essential abilities for succeeding family textile factories except social

abilities.

Thus, the factor of personal abilities and attributes seemed as an invisible factor that basically had very little influence on the potential heirs' decisions in this study. This finding does not coincide with the assumption based upon literature review that potential successor may be influenced by their personal abilities and attributes when are considering family firm succession.

#### 5.4 Gender and Primogeniture

Different relationship patterns are observed in this study. Three of nine potential heirs in this study are female. All of them maintain harmonious and less competitive relations with their fathers and showed high levels of respect to their fathers' work. Cai adores her father's outstanding intelligence and various abilities since she was very young. She thought she had learnt numerous knowledge and skills from her father and her father seemed pleasant to teach his daughter life philosophy and business skills according her responses in the interview. Wang regarded her father as her personal idol. She extremely appreciated her father's enormous contribution to the family. Xiao had been working for her father for two years. She consistently maintained that her father know what are her weaknesses of her personality and abilities. Since she entered the firm, she had stuck to a modest attitude to learn things from her and her father paid significant attention to train her. In contrast, male interviewees presented their dedications to perform beyond their fathers notwithstanding all of them have positive personal relations with their fathers as well and three of them admitted their current capabilities had not met their fathers' achievement. In the case of Chen, the interview revealed his strong determination to expand the family firm scale and improve the financial performance further. In the case of Tian, who did not want to enter the family firm, to escape from the influences of his father in the family and family was one of his important drivers in addition to his desire to pursue his own career. When he was asked about particular disagreement on his father's firm, he expressed some of his own advice about his father's business operation. This finding coincides with Dumas's[43] study and Haberman and Danes's[49]study, in which they asserted that father-daughter relations are relatively more harmonious and less conflictive.

On the other hand, Dumas[43] identified daughters from family firms are 'invisible heirs' in her study. Her finding is partly confirmed within interviews with female potential heirs, especially in the case of Wang. Regardless of the government's 'One Child' policy, two thirds of total cases in this study have their siblings. Both Zhang and Zhou have a little sister in the family, whereas according to their attitudes and responses, none of these two sisters are expected to succeed the family firms within the families. Tian has a little sister as well and he reported that his father had intention to train his sister to join the family firm. Nonetheless, he did not think his parents had too much expectation on their daughter to take over the family firm. Cao and Chen have an elder sister for their own but their sisters both focused much more on their own families and children. These two sisters never got involved with their family firms and were certainly out of the succession consideration. Wang has two elder brothers. Her father implied that her second elder brother was expected to take over the family firm producing industrial fans. As the family's youngest daughter, she was never supposed to be the successor of the firm. However, two other female faced completely distinctive family situations. As the only child for each family, Cai was once expected to succeed the family firm by her

father and Xiao was educated by her father and her grandmother for years since she was in high school and had worked for his father for two years by the time of interview.

With regard to male potential heirs in this study, none of respondents was requested to join the family firm. However, it can be inferred that they were expected to succeed their family firm by their parents to some extent. This is because the majority of them (Chen, Shu, Chen, Tian, Zhang, Zhou) were taught and communicated on the topic about the family firm by their fathers and they all had experience participating in business social activities with their fathers. However, all male interviewees in this study were left enough freedom to make their own decision for their future. This is probably due to harmonious father-son relations and parents' understanding for children's choices. In Chen's and Tian's cases, their freedom partially derived from their initiative personality.

In accordance with all above cases, it seemed that female second generations with male siblings were much less expected to succeed the family firms compared to their counterparts by their parents. Although this expectation appeared higher in two cases of two only daughters in their families, their succession status still seemed not as favourable as male second generations in other families. In addition to western scholar's attribution to gender specificity, the Chinese traditional different norms and views on two genders and their different status within families may exacerbated this situation in Chinese family firms. However, this assumption needs more evidence and research to testify it.

On the other hand, above cases revealed distinctive career options between different genders. It was obvious that female second generations presented more family-oriented, leading to their less ambitious career pursues. This phenomenon generally coincides with different gender specificities while it is more obvious in Chinese young women. It could be observed that family influence and social norm are important sources of reasons for female respondents' and male respondents' sisters' more attention on families. In all selected cases of this study the phenomenon of primogeniture was not found. This is probably due to there is no same-gender sibling for respondents, leading to the irrelevance of primogeniture compared to the gender influence.

### 5.5 Family Influence – *the Process Factor*

According to nine case studies, the factor of family not appeared as a directly perceivable factor that has simple impacts on potential heirs' determination, but a dynamic and long-term factor which exerted its effects on potential heirs from different facets. Hence, different from "family factors" in literature review, it will use the term of "family influence" to refer to the set of multiple effects from the family. Firstly, parents played very important roles in the forming of children's value of various career options, affecting children's motivation on family firm succession. This phenomenon is evident in every case of this study. For instance, Chen and Zhang were taught for year the benefits of civil servants and why being a civil servant might assist the family firm. As a result, both of them were determined to be civil servants when they were in universities. Although Chen abandoned his plan when he finished his first master degree, his father then had considerable influence in the process of his family firm succession decision. Other seven cases all presented parents' influence on individual's career decision. Secondly, the family but not the family firm rendered respondents'

sense of responsibility and commitment. As analysed and summarised before, respondents got sense of responsibility because of appreciation for parents' hard work, desire to provide comfortable post-retire life for parents, compensation for parent' understanding and support, and the family's guidance. All of these reasons were related to their families but no relation with their family firms. In addition to the dominant status in determining sense of responsibility, the family was in fact the object of second generation's responsibility and commitment. Thirdly, the previous part revealed that parents had different succession expectations on different genders. In response, a potential successor in family may perceive the family's particular needs on him/her and develop himself/herself accordingly. Finally, the quality of family relationships can significantly affect not only potential successor's succession intention, but also the process and outcomes of passing the baton. For example, Shu enjoyed the supportive and harmonious family atmosphere, leading to his happiness to share ideas and opinions with his father. With agreement and credit from his father, he believed his self-identity was recognized within the family. Therefore, he realized that the family firm was a proper stage for him and his ambitions. Moreover, he had gained some more authority and responsibilities in the firm, which would significantly boost his learning in the firm and the society. In contrast, conflict in relationships between Tian and his father eliminated his succession intention to join the family firm even though these different opinions were mostly about business strategy and management. This finding of family relationship coincides with the finding from literature review that family tension can discourage potential heirs' succession intention back to family firm[34, 38, 6, 39].

However, the influence of relationships with siblings on penitential heirs was basically not discovered in this study. As discussed in the previous part, this is probably due to no opposite-gender sibling existing in respondents' family and little conflict between siblings about the family firm succession.

#### 5.6 Organisational Factors - the Secondary Factor

In this study, only two respondents mentioned sizes of family firms are mattered in their succession decisions. Chen Hao provided his opinion on the size of his family firm: *'my father's current business size in fact imposes the necessity for me to succeed it. This is because the size is neither too small nor too big. If the firm was too small, I would not have interest to take it over; if the firm was too big, I have to succeed and sustain its performance anyway'*. The other respondent is Tian, who refused to succeed his family firm partially due to its limited size. He suggested that the limited business size and deteriorating industry environment in China discouraged his succession intention to join his father's firm. He was also the only interviewee who mentioned the factor of industry.

Other organisational factors discussed in the literature review, including nonfamily members in family firms, organisational conditions, and endowment effect, were found not significantly relevant as not mentioned in any case of this study.

#### 5.7 Being a Civil Servant as a Factor

According to interviewees, two of nine interviewees (Zhang and Cao) in this study expressed their strong succession intention to become civil servants, and this was also the original target for another interviewee

(Chen). Zhang, who dedicates to join the national civil servant, offered an important insight for being a civil servant. He said that *‘to be a civil servant is my primary goal. For one thing, this is the way to realizing my dream to serve citizens and improve people’s life. For the other thing, this is my father’s expectation on me as well. It has been long time that I am told by my father civil servant is a decent and promising job for me, the family, and the family firm. This is because, as you know, business can go smoother if you have relations in the government’*.

Civil servants of People’s Republic of China (PRC) are those who are employed by the nation to behave the state administrative power and run the day-to-day affairs of the country[64, 65]. According to Civil Servant Law, civil servants of PRC generally encompass two categories, i.e. leading-position civil servants and non-leading-position civil servants. Leading-position servants are those civil servants who perform organizing, management, decision, and directing roles in all institutions ranging from premier to townships. In contrast, non-leading-position civil servants perform roles other than leading-position roles. For today’s Chinese graduates, participation in civil service examinations is the only way to enter the country’s civil servant system. Civil service examinations in China have two forms: central civil servant exam, which enrolls civil servants for the central government, and regional civil service exam, which recruit civil servants for regional and provincial governments[64]. Both exams are held annually. In 2020, the number of national civil servants recruited was 24,100 with an increase of 66%. Over 1.437 million candidates were registered and the average enrol ratio between various departments was 40:1, and 780:1 in the most competitive department[66]. In regional civil service exam, candidates have to face similar levels of competition as well in order to acquire the qualification working for local governments. Consequently, a Chinese featured phenomenon has occurred in modern society that many university graduates stay home for two or three year just for trying the exams. In this study, the interviewee, Cao, is the example who already participated in two years’ exams and intends to try for the third time.

The heated social enthusiasm results from wide benefits of being a civil servant in mainland China[65, 67]. Main benefits are listed as below. Firstly, favourable social status, which means among social activities in mainland China, civil servants, especially leading-position civil servants, are always the centre and focus of people. The public generally admire, even envy their positions and privilege. This is also derived from Chinese thousand years of official standard system. Secondly, high job security and stable working conditions, which means the job of civil servant is regarded as ‘iron bowl’ in China, due to its regardless of market conditions, weather, leadership pressures, or other working conditions. Throughout the whole career of most civil servants, their levels only got ascendant as their tenure goes by but never descended. In addition to its superior job security, civil servants normally do not have overtime work but enjoy above average income in the society. Furthermore, leading-position civil servant, especially those in pivotal roles, can often enjoy considerable ‘grey income’ and a wide range of financial benefits in the Chinese society. Thirdly, Superior welfare refers to that as long as any new social welfare was launched, civil servants would be the first group of citizens to enjoy these benefits. Civil servants can have more favourable social welfare than normal citizens covering a very wide range of benefits for their life, including accommodation subsidy. Fourthly, legal privilege means that it is widely reckoned in Chinese society that civil servants are enjoying legal privilege than normal citizens. Moreover, there are successive reports that many officials got punished and dismissed for their guilty but revived in another department a few years later, sometimes even in higher

level. Fifthly, it will be easier to find relationship or marriage, which should thanks to enormous benefits and privilege; civil servants are often prosperous objects of relationship or marriage in the society. Sixthly, it is said that it would be beneficial for offspring – civil servants are able to provide more guarantee for their children’s education and employment conditions than normal citizens. Due to all above benefits, being a civil servant becomes almost the most popular objective for Chinese university graduates as well as for many second generations of Chinese entrepreneurs.

Although being a civil servant is a means to help individual, family, business, and even the society, this might not be an ideal and valid way for every ambitious young person due to Chinese government’s well-known issues of dullness, bureaucracy, corruption, etc. Another interviewee should be highlighted here is Chen, who has just finish his two-month internship in a provincial institution. As he put it, *‘throughout my whole undergraduate, I dedicated to be a national civil servant in my future and my father supported me certainly. However, when I finished my first master degree and worked as an internship in Zhejiang Provincial Development and Reform Commission for two months, I perceived that our governmental institutions are extremely bureaucratic and jobs there are uninspiring for me. Thereby, I cancelled my civil servant plan eventually’*. Currently, as he said in his interview, he plans to accomplish his second master degree first and then learn to succeed his family firm gradually.

The other respondent with civil servant goal was Cao, who currently is working in his father’s stainless steel company. He said that he had planned to participate in his third civil servant exam and this might be last try as well. Therefore, serving the family firm appeared as his back plan to his civil servant target. This fact seemed true in both Zhang’s and Chen’s cases.

### 5.8 Interaction between Factors

The relationships between factors discussed and analysed in this study interaction between related can be depicted as the Figure 4.



**Figure 4: Relationship and interaction between factors**

Individual motivation is normally the determine factor of a potential successor’s desire to succeed the

family firm or opt for an alternative career or being a civil servant. Responsibility and commitment to family firm were found as facilitator factors in this study but not determine factors. In fact, the reason and also the object of potential heirs' sense of responsibility and commitment are their families but not their family firms. The influence of personal abilities and attributes on second generations' succession decisions was found not significant in this study. Different genders of potential heirs may lead to distinctive personal career motivations. In addition to individual factors, family influence was found having profound long-term effects that influence potential heirs from many facets, including the forming of individual career motivation, next generation's sense of responsibility, and their succession intention to join and take over the family firm. Furthermore, families normally have different expectations on different genders. Organisational factors were just founded in small portion of cases but have considerable influences on potential heirs' succession intention to succeed or not. Being a civil servant as a factor was another important finding of this study. A third of total cases had or once had plans to be a civil servant due to its enormous benefits. However, due to extreme competition within civil servant exams, family firm succession was treated as backup plans for some cases. In these cases, it played as an interfere factor to family firm succession.

## VI. CONCLUSION

With regard to short span of mainly Chinese family firms, the importance and challenges of family firm succession became more evident. In the process of the succession, main stakeholders consist of the incumbent owners, the potential heirs, the family and the family firm. This study focused on the stakeholder of potential heirs and endeavoured to discover relevant factors that influence their succession intention to succeed family firms. According to the literature review, a number of factors, which can be classified into individual factors, family factors and organisational factors may exert different influence on next generations' succession decision. Therefore, this study selected nine Chinese second generations to test particular influence of these factors. Interview was the primary data collecting method adopted by this study along with some information complement based on those respondents.

The results of the research revealed that some relevant factors coincide with findings from the literature review such as individual motivation, responsibility, gender and certain organizational factors, while some other factors were new finding including the factor civil servant. However, the factors of personal abilities and primogeniture were found irrelevant in this study.

Individual motivations are the determining factors for Chinese second generations in this study to decide whether enter the family firms or not. Career plans of these second generations are fundamentally based on their individual interests, needs and goals. Sense of responsibility and commitment to the family and the family firms are facilitator factors for second generations' succession decisions. However, in some cases, this sense of responsibility and commitment did not prevent them from pursuing their own alternative career pursues. Then, it was found that personal abilities and attributes appeared as irrelevant factor for second generations in this study. This is possibly due to the first-generation entrepreneurs' success regardless of their low average education level. Thus, the connection between business success and personal abilities and attributes was perceived weak in second generations' minds. However, further research is desired to address this assumption.

Gender specificities were found having significant implication for Chinese second generations' career motivations and families' succession expiations on them. To examine the gender factors, Chinese traditional and cultural background should be seriously taken into consideration. There was no evidence for the existence of primogeniture in Chinese families in this study but family influence was found exerting profound effects on second generations. The family can influence the second generations' individual motivation, sense of responsibility, development path, and succession intention. Therefore, the family is found as the vital long-term factors in the process of family firm succession. Organizational factors are regarded as secondary factors because only two respondents mentioned the factors' influence on succession intention.

Being a civil servant was an important factor that discovered in this study. It is in fact an alternative career purse. However, three respondents in this study with being a civil servant intention all regarded it as the priority of their career option. Consequently, family firm succession remained as their backup plans. The enthusiasm of being a civil servant is significantly related to the family and social influence.

As discovered in this study, individual motivation is the determine factor in most cases. In addition, those heirs who decided to join the family firms normally after their attempts in the job market. These cases presented significant responsibility and commitment to family firms and more succession intention to learn from their fathers and the family firms. In contrast, Xiao, who did not have some attempts and experience in outside job market, revealed less confidence in her learning in the family firm.

On the other hand, this study's finding reminds the importance of family influence to the parents with family firm. As in some cases in this study, it was found that the second generations' forming of personal career motivation and sense of responsibility and the quality of family relationships can influence their succession intention directly. Therefore, in order to facilitate the process of family firm succession, parents would be better grooming their children from early ages and educating them with the sense of responsibility. Meanwhile, harmonious family atmosphere is encouraged to be built within the family. This is because in most cases of this study, it proved that active commutation and bilateral interaction increased understanding and trust between generations, and enhanced second generations' commitment to the family as well as the family firms. Furthermore, it can be expected that better bilateral communication understanding would considerably facilitate second generations' learning in the firm and the further progress of business succession.

Responsibility and commitment to the family and the family firm appeared almost in every selected case no matter the respondent will succeed the family firm or not. For those who desire to join and succeed the family firm or already in the firm, responsibility was vital driver or even the only reason (Xiao) for their decisions. Thus, it seems that from the incumbent and the family's point of view, building a next generation's sense of responsibility and commitment can significantly increase his/her succession intention to enter the family firm.

However, as in the Xiao's case, some issues should be considered. Firstly, it may be not good to expect the sense of responsibility as the only reason to enter the family firm. As Xiao implied during the process of

interview, she in fact had little interest in the coal business even if she started to know this business from her teenage. With similar growing environment, other two cases with their own ambitions turned out different outcomes. Shu and Chen, one entered the family firm with his own comprehensive project plan and one with his future company expansion strategy, both grew up in similar family environment to Xiao. They were both taught about the business and social knowledge since their university ages. However, they presented significant interest in their fathers' businesses as both of them proactively discuss about the family firm with their fathers. Furthermore, based on the discussion and their own knowledge, they gradually formed their own opinions on the future of their family firms. Different from Xiao, they appeared more confident and more likely to learn actively and effectively no matter in further study or in practical business.

Therefore, in addition to the importance of responsibility, the first generation should respect their children's individual motivation derived from personal needs and interest should be regarded as the core factor that lead to second generation's desire to join the family firm and a higher potential to sustain and improve the family firm's performance.

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