Succession planning in Chinese family-owned businesses in Hong Kong: an exploratory study on critical success factors and successor selection criteria

By

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Table of Contents

Abstract viii
Statement of Candidate ix
Acknowledgements x
Acronyms xi
Statistical Terms xii
List of Tables xiii
List of Figures xv

Chapter 1 Introduction 1

Chapter 2 Literature Review 5
2.1 Introduction 5
2.2 Terms and Definitions of Family Businesses and Succession Planning 5
2.3 Characteristics of Family Business Succession 7
2.4 Characteristics of Chinese Family Businesses 10
2.5 The Characteristics of Chinese Management 11
2.6 Family-owned Business Succession 13
2.7 Critical Success Factors of Succession Process and Successor Selection 18
Criteria of Hong Kong Chinese Family Business
2.7.1 Critical Success Factors of Succession Process of Hong Kong Chinese Family Business 18
2.7.1.1 Capability and contribution of the successor in the family Business 18
2.7.1.2 Personal characteristics of founder 19
2.7.1.3 Successor motivated to lead the family business and agrees with the company direction 21
2.7.1.4 Business environment and the family business scenario to develop the successor in different business environment 22
2.7.1.5 Fair and planned shareholder changed parallel transfer of power 23
2.7.1.6 Relationship between founder and successor 24
| 2.7.1.7 | Corporate culture and organisational structure | 25 |
| 2.7.1.8 | Other participants' view on the management transition of the offspring successor | 26 |
| 2.7.2 | Successor Selection Criteria of Hong Kong Chinese Business | 27 |
| 2.7.3 | Desirable Attributes of Successors | 29 |
| 2.7.3.1 | Potential Successor's Personal Relationship with the Incumbent | 29 |
| 2.7.3.2 | Potential Successor's Personal Relationships with Other Member of the Family | 30 |
| 2.7.3.3 | Family Standing | 31 |
| 2.7.3.4 | Competence | 33 |
| 2.7.3.5 | Personality Traits | 34 |
| 2.7.3.6 | Current Involvement with the Family Business | 35 |
| 2.7.4 | The Successor Attributes of the Chinese Family Business in Hong Kong when compared with Canadian and Indian contexts | 36 |

**Chapter 3 Methodology**

3.1 Introduction

3.2 Delimitation of the Research

3.2.1 Unit of Analysis

3.2.2 Scope of Research

3.3 Purpose of the Research

3.4 Research Strategy and Justification of Methodology

3.5 Procedure of the Research

3.5.1 Exploratory Case Studies

3.5.1.1 Sources of Case Studies

3.5.1.2 Preparation for the Interviews

3.5.1.3 Data Recording and Observations

3.5.2 Questionnaire Design

3.5.3 Pilot Survey

3.5.4 Sampling Procedure
5.2.3.1 Factor 1: Capability and contribution of the successor in the family business
5.2.3.2 Factor 2: Personal characteristics of founder
5.2.3.3 Factor 3: Successor motivated to lead the family business and agrees with the company direction
5.2.3.4 Factor 4: Business environment and the family business scenario to develop the successor in different scenario
5.2.3.5 Factor 5: Fair and planned shareholder changed parallel transfer of power
5.2.3.6 Factor 6: Relationship between founder and successor
5.2.3.7 Factor 7: Corporate culture and organisational structure
5.2.3.8 Factor 8: Other participants' view on the management transition of the offspring successor

5.3 Factor Analysis: Successor Selection Criteria
5.3.1 Initial statistics and Scree plot for Critical Success Factors of the Succession Process
5.3.2 Rotations
5.3.3 Summary of Five Categories of Successor Selection Criteria
5.3.3.1 Category 1 - Management Skills and Experience, Interpersonal Relationships and Networks among Stakeholders
5.3.3.2 Category 2 - Trust and Relationship among Family Members and Owner-manager
5.3.3.3 Category 3 Self-confidence and Commitment of the Successor in the Family Business
5.3.3.4 Category 4 - Family Standing and Share Ownership
5.3.3.5 Category 5 - Business and Working Experience of the Successor
5.3.4 Comparison between the Successor Selection Criteria Categories

Chapter 6 Case Studies of Succession in Family Businesses in Hong Kong
6.1 Case Study Companies Background
6.1.1 General Engineering Works (GEW)
6.1.2 Tin Yin Paint (TYP)
6.1.3 Hardiford Paint Ltd (HFP)
6.1.4 Seven Seas Plastic Factory (SSPF)
6.1.5 Wilbur (WB)
6.2 Concordance between Cases Studies and Critical Success Factors of Succession Process of Hong Kong Chinese Family Business

6.2.1 Factor 1: Capability and Contribution of the Offspring-successor in the Family Business

6.2.2 Factor 2: Personal Characteristics of Founder

6.2.3 Factor 3: Successor Motivated to Lead the Family Business and agrees with the Company Direction

6.2.4 Factor 4: Business Environment and the Family Business Scenario to Develop the Successor in different Business Environment

6.2.5 Factor 5: Fair and Planned Shareholder Changed Parallel Transfer of Power

6.2.6 Factor 6: Relationship between Founder and Successor

6.2.7 Factor 7: Corporate Culture and Organizational Structure

6.2.8 Factor 8: Other Participants’ View on the Management Transition of the Offspring-successor

6.3 Concordance between Case Studies and Successor Selection Criteria of Hong Kong Chinese Family Business

6.3.1 Category 1: Management Skills and Experience, Interpersonal Relationship and Networks among Stakeholders

6.3.2 Category 2: Trust and Relationship among Family Members and Owner-manager

6.3.3 Category 3: Self-Confidence and Commitment of the Successor in the Family Business

6.3.4 Category 4: Family Standing and Share Ownership

6.3.5 Category 5: Business and Working Experience of the Successor

6.4 Summary

Chapter 7 Discussion

7.1 Discussion of Research Questions

7.2 What are the critical success factors of the succession process of the Chinese family business in Hong Kong?

7.2.1 Factor 1: Capability and contribution of the offspring-successor in the family business

7.2.2 Factor 2: Personal characteristics of founder

7.2.3 Factor 3: Successor motivated to lead the family business and agrees with the company direction

7.2.4 Factor 4: Business environment and the family business scenario to develop the successor in different business environment
7.2.5 Factor 5: Fair and planned shareholder changed parallel transfer of power
7.2.6 Factor 6: Relationship between founder and successor
7.2.7 Factor 7: Corporate culture and organizational structure
7.2.8 Factor 8: Other participants' view on the management transition of the offspring successor

7.3 What are the successor selection criteria in the Chinese family business in Hong Kong?

7.3.1 Category 1 - Management Skills and Experience, Interpersonal Relationships and Networks among Stakeholders
7.3.2 Category 2 - Trust and Relationship among Family Members and Owner-manager
7.3.3 Category 3 - Self-confidence and Commitment of the Successor in the Family Business
7.3.4 Category 4 - Family Standing and Share Ownership
7.3.5 Category 5 - Business and Working Experience of the Successor

7.4 Are there any difference among the critical success factors of the succession process of the Chinese family business in Hong Kong and other context variables?
7.5 Are there any difference among the successor attributes of the Chinese family businesses in Hong Kong and other context variables?
7.6 Are there any difference between the successor attributes of the Chinese family business in Hong Kong, Indian and Canadian studies?

7.7 Summary

Chapter 8 Conclusion

8.1 Introduction
8.2 Critical Success Factors of Succession Process in Hong Kong Chinese Family Business

8.2.1 Factor 1: Capability and Contribution of the Offspring-successor in the Family Business
8.2.2 Factor 2: Personal Characteristics of Founder
8.2.3 Factor 3: Successor Motivated to Lead the Family Business and agrees with the Company Direction
8.2.4 Factor 4: Business Environment and the Family Business Scenario to Develop the Successor in different Business Environment
8.2.5 Factor 5: Fair and Planned Shareholder Changed Parallel Transfer of Power
8.2.6 Factor 6: Relationship between Founder and Successor
8.2.7 Factor 7: Corporate Culture and Organizational Structure 147
8.2.8 Factor 8: Other Participants’ View on the Management Transition of the offspring-successor 147

8.3 Successor Selection Criteria 148
8.3.1 Category 1: Management Skills and Experience, Interpersonal Relationship and Networks among Stakeholders 148
8.3.2 Category 2: Trust and Relationship among Family Members and Owner-manager 149
8.3.3 Category 3: Self-Confidence and Commitment of the Successor in the Family Business 149
8.3.4 Category 4: Family Standing and Share Ownership 149
8.3.5 Category 5: Business and Working Experience of the Successor 150

8.4 Limitation of the Research 150
8.5 Further Research 151

Appendices 153
Appendix 1 Family Business Interview Guidelines 153
Appendix 2 Questionnaire of Identifying Critical Success Factors in the Succession Process for Chinese Family Business in Hong Kong 155

References 163
Abstract

This is one of the first studies to engage with succession issues amongst Chinese family-owned businesses (FOBs) in Hong Kong. The study is based on a survey conducted amongst FOBs in the Federation of Hong Kong Industries or The Chinese Manufacturers’ Association of Hong Kong, and also on five in-depth case studies conducted to explore the issues that were revealed in the survey in detail. The study builds cumulatively on previous work on succession in family owned businesses, and identifies eight Critical Success Factors and five Successor Selection Criteria that Chinese founders and successors in family businesses in Hong Kong agree on. The eight Critical Success Factors are: capability and contribution of the successor in the family business; personal characteristics of founder; successor motivated to lead the family business and agrees with the company direction; business environment and the family business scenario to develop the successor in different scenario; fair and planned shareholder changed parallel transfer of power; relationship between founder and successor; corporate culture and organizational structure; and other participants’ view on the management transition of the offspring-successor. Furthermore, the study identifies five Successor Selection Criteria for founders and successors of family businesses in Hong Kong and compares findings with a study using the same framework conducted in Canada and India. The five criteria are: management skills and experience, interpersonal relationships and networks among stakeholders; trust and relationship among family members and owner-manager; self-confidence and commitment of the successor in the family business; family standing and share ownership; and business and working experience of the successor. These are evaluated in terms of their concordance with the non-Chinese FOB literatures, and with the cases studies of Chinese FOBs described in this study. The Thesis concludes that succession issues are even more important for family-owned businesses in Hong Kong than elsewhere, and that insofar as family-owned firms solve their succession problems they will continue to make a vital contribution to business worldwide.

Keywords:
Chinese family-owned businesses; succession planning; critical success factors; successor attributes; Hong Kong
Statement by Candidate

This thesis is submitted in partial fulfillment of the requirements of the degree of DBA, in the Graduate School of management, Macquarie University. It represents the original work and contribution of the author, subject to the Acknowledgments made.

I certify that the work in this thesis entitled “Succession planning in Chinese family-owned businesses in Hong Kong: Critical success factors and successor selection criteria” has not previously been submitted for a degree nor has it been submitted as part of the requirements for a degree other than the DBA nor to any institution other than Macquarie University, and is now resubmitted following the original examination in accordance with the requirements of the HDR Committee.

I certify that the thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and the preparation or the thesis itself have been appropriately acknowledged.

In addition, I certify that all information sources and literature used are indicated in the thesis.

The research presented in this thesis was approved by Macquarie University Ethics Review Committee, reference number: HE22JUN2007-D05280 on 22 June 2007.

Signature:  

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Student ID No.: 31534201  
Date: 4th August, 2011
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### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CFB</td>
<td>Chinese Family Business</td>
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<td>CFBs</td>
<td>Chinese Family Businesses</td>
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<td>CSFs</td>
<td>Critical Success Factors</td>
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<td>ERP</td>
<td>Enterprise Resource Planning</td>
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<td>FBS</td>
<td>Family-owned Business Succession</td>
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<tr>
<td>FOBs</td>
<td>Family-Owned Businesses</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Production</td>
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<td>GEW</td>
<td>General Engineering Works Ltd.</td>
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<td>HFP</td>
<td>Hardiford Paint Co. Ltd.</td>
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<td>HK</td>
<td>Hong Kong</td>
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<tr>
<td>HKSAR</td>
<td>Hong Kong Special Administrative Region Government</td>
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<tr>
<td>LED</td>
<td>Light Emitted Diode</td>
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<td>MBA</td>
<td>Master in Business Administration</td>
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<td>OBM</td>
<td>Original Brand Manufacturing</td>
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<td>ODM</td>
<td>Original Design Manufacturing</td>
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<td>OEM</td>
<td>Original Equipment Manufacturing</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Science</td>
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<td>SSPF</td>
<td>Seven Seas Plastic Factory</td>
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<tr>
<td>TYP</td>
<td>Tin Yin Paint Co</td>
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<td>WB</td>
<td>Wilbur Co</td>
</tr>
</tbody>
</table>
Statistical Terms

ANOVA  Analysis of variance
CFA    Confirmatory factor analysis
Df     Degree of freedom
EFA    Exploratory factor analysis
F      Computed F-test statistic
F_{crit}  Upper-tailed critical value
KMO    Kaiser-Meyer-Olkin test
MS     Mean squares
OBLIMIN Oblique Factors and a Minimizing Criterion Rotation
P      Proposition
p-value Probability value
R      Correlation coefficient
s.d.   Standard deviation
Sig.   Significance
SS     Sum of squares
VARIMAX Variance Maximizing Rotation
<      Less than
>      Greater than
List of Tables

1. Table 1.1 Succession Information of Hong Kong Tycoons 2
2. Table 2.1 Summary of Critical Success Factors of Succession Planning from Different Researchers 16
3. Table 2.2 Summary of Propositions related to the Successor Attributes among Hong Kong Chinese, Canadian and Indian Family Businesses 37
4. Table 3.1 Summary of Response Rate of Family Business Survey 53
5. Table 3.2 Comparison of the industry sectors by sample population and respondents 60
6. Table 4.1 Profiles of Sample Firms and Respondents 65
7. Table 4.2 F-tests of Context Variables vs. Critical Success Factors of Succession Process 70
8. Table 4.3 F-tests of Context Variables vs. Successor Attributes 70
9. Table 4.4 Profiles of Hong Kong and Canadian Firms and Respondents 72
10. Table 4.5 Ranking of Successor Attributes Categories among Hong Kong, Indian and Canadian Studies 74
11. Table 4.6 Ranking of Successor Attributes among Hong Kong, Indian and Canadian Studies 76
12. Table 4.7 Summary of Propositions Test between Hong Kong, Indian and Canadian Studies 78
13. Table 5.1 KMO and Bartlett’s Test of Critical Success Factors of Succession Process in Hong Kong 83
14. Table 5.2 Initial Eigen-values and Total Variance Explained 83
15. Table 5.3 Reliability Analysis of Critical Successor Factors of Succession Process 84
16. Table 5.4 Rotated Pattern Matrix 86
17. Table 5.5 KMO and Bartlett’s Test 91
18. Table 5.6 Initial Eigen-values and Total Variance Explained 92
19. Table 5.7 Reliability Analysis of Categories of Successor Selection Criteria 93
20. Table 5.8 Rotated Pattern Matrix 93
21. Table 5.9 Comparison Table of Categories of Successor Selection Criteria 98
22. Table 6.1 Summary of the Five Family-owned Businesses of the Case Studies 107
<table>
<thead>
<tr>
<th></th>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>6.2.1</td>
<td>Summary of Critical Success Factor 1 of Succession Process of</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>6.2.2</td>
<td>Summary of Critical Success Factor 2 of Succession Process of</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>6.2.3</td>
<td>Summary of Critical Success Factor 3 of Succession Process of</td>
<td>113</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>6.2.4</td>
<td>Summary of Critical Success Factor 4 of Succession Process of</td>
<td>114</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>6.2.5</td>
<td>Summary of Critical Success Factor 5 of Succession Process of</td>
<td>115</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>6.2.6</td>
<td>Summary of Critical Success Factor 6 of Succession Process of</td>
<td>116</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>6.2.7</td>
<td>Summary of Critical Success Factor 7 of Succession Process of</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>6.2.8</td>
<td>Summary of Critical Success Factor 8 of Succession Process of</td>
<td>118</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hong Kong Family Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>6.3.1</td>
<td>Summary of the First Category Successor Selection Criteria of Nepal Kud House</td>
<td>119</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>6.3.2</td>
<td>Summary of the Second Category Successor Selection Criteria of Nepal Kud House</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>6.3.3</td>
<td>Summary of the Third Category Successor Selection Criteria of Nepal Kud House</td>
<td>121</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>6.3.4</td>
<td>Summary of the Fourth Category Successor Selection Criteria of Nepal Kud House</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Related to Five Case Studies</td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>6.3.5</td>
<td>Summary of the Fifth Category Successor Selection Criteria of Nepal Kud House</td>
<td>123</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business Related to Five Case Studies</td>
<td></td>
</tr>
</tbody>
</table>
List of Figures

1. Figure 2.1 Life Cycles of the Generations in Family Business Succession
2. Figure 2.2 Interaction of Critical Success Factors in Family Business Succession
3. Figure 3.1 The Development Steps of Critical Success factors of Succession Process of Hong Kong Family Businesses
4. Figure 3.2 The Development Steps of Successor Selection Criteria of Hong Kong Family Businesses from Successor Attributes
5. Figure 4.1 Revenues of the Respondents’ firm in US Dollars
6. Figure 4.2 Educational level of Respondents
7. Figure 4.3 Age Distribution of Respondents
8. Figure 4.4 No. of Families own at least 15% of the company
9. Figure 4.5 Legal Form of the Respondents’ Family Businesses
10. Figure 4.6 The Primary Business nature of the Responding Family Businesses
11. Figure 5.1 Scree Plot – Critical Success Factors
12. Figure 5.2 Scree Plot – Successor Selection Criteria