Intergenerational succession mode and selection mechanism of female successors in Chinese family businesses

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Abstract

This study explains the modes of intergenerational succession by female successors in Chinese family businesses and the selection mechanism. In view of the family businesses to which females (daughters) belong, this paper proposes five types of intergenerational succession modes of family businesses, namely the kindred-based succession by the daughter, kindred-based succession by others, joint succession by the daughter and her siblings, joint succession by the daughter and her husband (son-in-law), and succession by a professional manager. By means of case analysis, this study also explores the driving forces for choosing a proper mode from the above five succession modes, including family structure, the father’s and business owner’s attitude, and the daughter’s attitude toward succession, etc. This paper contributes to the domain of the intergenerational succession mode by ‘female (daughter) successors’ in Chinese family-owned businesses theoretically and practically.

Article Info

Received 03 May 2022
Received in rev. form 20 June 2022
Accepted 27 June 2022

Keywords:
Family businesses, female successors, intergenerational succession, mode

JEL Classification:
M12

Introduction

Private enterprises in China have mushroomed since the reform and opening up in 1978. From 2012 to 2022, the number of private enterprises in China quadruples, increasing from 10,857,000 to 44,575,000. The proportion of private enterprises to all enterprises increases from 79.4% to 92.1%, and family businesses are dominant among such private enterprises. With a rapid rise in the number of enterprises, there are changes inside enterprises. Now, many enterprises are facing succession.

However, business succession is not easy. Existing data show that the rate of successful leadership transfer from the first generation to the second generation inside family businesses worldwide is 30%, while the rate of successful transfer from the second generation to the third generation is only 10%. Hence, family business succession is a top priority for enterprises to achieve everlasting leadership and a key issue for research on family businesses in China.

Most existing studies on family business succession focus on men, while there are few studies on female successors. However, with a continuous rise in women’s status and a sharp increase in the wealth (According to the list of Hurun Richest Women in China 2019 released by Hurun Research Institute, the average wealth of top 10 female entrepreneurs reaches RMB 65.4 billion, and experiences an obvious average growth by 56%, compared with the percentage 14% last year. This growth rate is greatly higher than that (8%) for top 10 male entrepreneurs. The threshold for top 10 entrepreneurs is RMB 31 billion, with an increase by 15% from last year.) of female entrepreneurs, there is great growth in the number of female successors. For example, a large number of outstanding female successors such as Kelly Zong, Pan Wei, Zuo Ying and Liu Chang, have entered family businesses. The term “female successor” has gradually attracted extensive attention in the industry and the media. The media think SHE-ERA is coming.

Besides, China’s family planning policy starting in 1982 created a unique family structure in China. As of the end of 2015, there are about 224.6 million children from one-child families, accounting for 43% of total children born in the same period. According to...
public data, the proportion of women in China reaches 48.76% in 2022. Hence, the number of daughters in one-child families in China is about 108 million. This leads to an imbalance in the intergenerational succession of Chinese family businesses to a certain extent. The one-child family pattern forces enterprises to face a situation of fewer successors for family businesses and brings a special challenge to business succession. Further exploration is needed to study the degree of its influence. Some businesses owned by one-child families having only one daughter, have to break the rule of “primogeniture” and transfer family businesses to daughters. But breaking this rule is hard due to many reasons, such as women’s unwillingness, neglect of women by business owners and thus refusal to pass the leadership of family businesses to daughters as a result of social and cultural factors, etc. Therefore, it is urgent to conduct in-depth research on female successors to solve this problem.

At present, there are only a few reports on the intergenerational succession of female successors, and existing studies at home and abroad on female successors are limited to influencing factors of female successors, such as personal factors, social factors, cultural factors, etc. Few researchers establish a relationship between these influencing factors and different succession modes.

What are the possible intergenerational succession modes of the businesses owned by families with only daughters? Many papers have reported the problems faced by women in family businesses and stated influencing factors. But how do these influencing factors determine the selection of intergenerational succession modes? What is the internal mechanism? These questions need to be further discussed.

Focusing on female successors and considering their family businesses, this paper explores all possible intergenerational succession modes of these family businesses based on abundant literature, and attempts to explain the selection mechanism of female successor-related intergenerational succession modes by discussing five typical family business cases in China.

**Literature Review**

**Theoretical and Conceptual Background**

**Intergenerational succession of family businesses**

Most studies about the intergenerational succession of family businesses focus on the succession of business leadership or further division of business leadership into ownership and management power. The concentration is the succession of power (Barach, Gantisky, Carson & Doochin, 1988; Morris, Williams, Allen & Avila, 1997; Barach & Gantisky, 1995; Dumas, Dupuis, Richer & StCyr, 1995; Ibrahim & Ellis, 1994; Handler, 1992; Ambrose, 1983; Longenecker & Schoen, 1978). Therefore, in this paper, the intergenerational succession of female successors in Chinese family businesses refers to a process of take-over of the family business leadership by daughters.

In fact, there are many similarities between family business succession and property inheritance. Bertrand and Schoar (2006) reported that the rule for property inheritance was the most obvious cultural restraint in a family business. This team found that the primogeniture affected by Christian culture was still dominating property inheritance and selection of successors in most European family businesses. In terms of the hereditary system in China’s traditional culture, Yang Zaijun (2009) stated that transferring the leadership from fathers to sons was a major form for family business succession at home and abroad. This form was and is dominant for succession, and perhaps it will still be a common succession mode in the future. Liu Ting et al. (2012) considered that insufficient constraint by Chinese laws on professional managers and incomplete legal systems caused this phenomenon, forcing most family businesses to select the mode of transferring the leadership from fathers to sons.

**Influencing factors of female succession**

Despite the constant appearance of female successors and the arrival of SHE-ERA, there are still many challenges for female succession in family businesses.

The first factor is the attitude of female successors. In this aspect, Salga-nicoff (1990) found in a survey that only 27% of women hoped to join their family businesses. And major reasons for their participation in family businesses are stated as follows: (1) help deal with the matters of family businesses; (2) temporarily take the place of others; (3) haven’t found a satisfactory job outside family businesses. Furthermore, Sharma’s study revealed that the key factor influencing family business succession planning was children’s attitude, instead of the intention of incumbent business owners. Stavrou (1999) thought that corporate scale was positively correlated with the willingness of successors to join family businesses. Ambrose (1983) considered that the attitude of successors was also related to the profitability of family businesses. Later, based on the theory of planned behavior, Zellweger thought that self-efficacy, innovative motivation, independence and locus of control were potential factors influencing the willingness of successors. He considered that the positive and negative willingness of successors to take over family businesses was related to their career choices. In general, career choices of potential successors include starting businesses, working for other businesses, and taking over family businesses. Caroline (2005) analyzed issues from another perspective. He believed that in China where the family-centered concept prevails, succession was correlated with not only personal attitude but also family responsibility. Dou Junsheng (2008) found that there was a higher possibility of daughters entering family businesses when family businesses were facing crises such as the worse condition of business owners, appearance of economic problems for such businesses, etc. There are also many reasons for their refusal to enter family businesses, including the absence of private life, divergences about work with other family members,
comparison with the management style of their parents, etc. The above studies reveal that the willingness of women to take over family businesses is affected by many factors, and most women have a negative attitude toward participation in family businesses.

Moreover, the successful take-over by successors depends on not only successors’ attitudes but also other aspects like family controller, internal and external factors of families, social factors, etc. From the macro-environment perspective, there is a prejudice in favor of men in China. Women entering family businesses will face stricter requirements. Few people recognize their contribution to family businesses, job titles and remuneration.

In addition, the ranking of women in the list of potential successors is disadvantageous to women. Stavrou (1999) stated that even the eldest daughter would not be considered by family businesses to become successors generally. Some business owners would rather sell businesses to others than transfer businesses to their daughters. Keating (1997) reported that gender was a key standard for family businesses to select successors, and men would usually win. In terms of the relationship between siblings, female successors usually have a lower rank than the eldest son in families. If the position of such female successors is higher than that of elder brothers in family businesses, hostility would exist, further leading to family disharmony.

Senior executives that served business owners would hinder the take-over of female successors. They regard female successors as a threat and refuse to discuss some key decisions with successors. And female successors also think that such executives who are not family members rupture the close relationship between successors and their fathers. Vera and Dean (2005) pointed out that female successors must try to remove challenges from employees’ hostility.

In addition to negative factors like gender discrimination, there are some well-intentioned reasons preventing the take-over of female successors. For example, business owners refuse to transfer the business leadership to their daughters because they intend to protect daughters and do not want daughters to suffer hardships. Parents will not let daughters act as a manager in charge of various problems. In particular, the current two-child policy and three-child policy in China bring women greater responsibility and pressure of delivering and raising babies. Therefore, considering the balance between work and family, parents do not want daughters to be a leader of a family business.

What’s more, women face role conflict. Cadieux (2002) discovered that female successors needed to satisfy the same standards for a successful career as male successors, and as a wife and a mother in a family, had to undertake the responsibility of delivering and raising children and dealing with housework. According to some studies, when working for 45 hours in one week, women feel it is hard to balance work and family. In fact, female successors in family businesses usually work for about 70 hours in one week.

Role conflict refers to not only a conflict between the role of a female successor in a business and her role in a family but also a conflict between her role in a business and her role in a relationship with her father or mother. For example, in terms of the father-daughter relationship, in the process of family business succession, a business owner who is also the father of a female successor hopes his daughter behaves like a professional businesswoman in a business and also wants to treat her like a little girl. Hence, it is hard to define the daughter’s role. This would further make it difficult for women to form a sense of identity, leading to great pressure. In terms of the mother-daughter relationship, if a mother has no position in a family business, she would be under threat because of her daughter’s succession, thus reducing the intimacy between them. If a mother has power in a business, it is hard for her to abandon management power and transfer leadership to her daughter, thus resulting in an adversarial relationship between them.

Female successors also face communication-related problems. Wang Lianjuan (2010) thought that compared with the older generation, female successors received a higher level of education and learned much new knowledge. They have many unique ideas about management different from those of the older generation, leading to communication problems.

The above studies indicate that the intergenerational succession of female successors in family businesses are affected by many factors such as social factor, personal factor, internal factors in a family and a business, etc. However, there are few reports about how these factors influence the intergenerational succession modes of family businesses and about internal mechanisms. Considering the fact that most current studies focus on male successors and there are more and more female successors in China due to family planning policy and social factors, it is necessary to identify how these factors influence the intergenerational succession of female successors in family businesses, i.e. the modes of intergenerational succession.

**Advantages of female succession**

Despite various problems faced by female successors, many scholars point out that women have many advantages over men in terms of management. Bird and Bush considered that the differences in the way of thinking between women and men resulted in a unique style of leadership by women. Female leaders give more care to employees and are good at encouraging employees. Their management style is more friendly and people-oriented. Cole (1997) and Marshack (2005) found that the emotional leadership of women in family businesses would contribute to the resolution of contradictions within a business and the harmonization of a family. Female successors tend to consider other people’s feelings at any time in family businesses, thus improving the loyalty of employees. There are differences in communication manners, too. Vera and Dean (2005) compared the father-son relationship and the father-daughter relationship. They found that compared with sons, daughters had smoother communication with their fathers or the management and fewer misunderstandings with their fathers. Hence, daughters have a better relationship with their fathers. Bass and Stogdil identified that female successors usually dealt with conflicts in a positive manner and were described by employees as
charismatic leaders. Similarly, by encouraging employees’ participation and enhancing their self-worth, female leaders create a style of interactive leadership different from controlling leadership. Women tend to have relationship-oriented leadership instead of task-oriented leadership. Based on the empirical research results of King (2003), Li Yanshuang (2017) summarized three advantages of female leaders: stronger organizational cohesion, higher loyalty of internal members, and lower agency risk.

Abundant studies demonstrate that female successors exhibit unique qualities and capabilities in the process of succession and management of family businesses. According to the above statements about influencing factors and advantages of female succession, female successors are different from male successors and have many exclusive characteristics due to gender difference. Therefore, it is necessary to further study the intergenerational succession process of women by considering their special conditions.

**Modes of intergenerational succession by female successors**

With the higher participation of women in family businesses, female successors are attempting to break the rule of primogeniture. Ning Zekui (2011) summarized the modes of intergenerational succession by female successors. He stated that the comparative study of Dumas (1989, 1992) regarding the “father-son” and “father-daughter” succession modes was groundbreaking, and many other studies were conducted by imitating this comparative perspective to discuss the female succession modes of family businesses. Cadieux, Lorrain and Hugron (2002) put forward a “mother-daughter” mode and a “mother-son” mode for the succession of women-owned family businesses. Fu Ying (2014) pointed out that scholars adopted the succession modes reported by Dumas and started to conduct further studies and comparative studies with respect to four modes of family business succession: “father-son”, “father-daughter”, “mother-son” and “mother-daughter”.

After a summary, the intergenerational succession modes for female successors reported by existing studies are “father-daughter” and “mother-daughter”. But these studies are incomplete and limited to only the take-over of family businesses by women. The transfer of leadership to sons-in-law/adopted sons is also a succession mode included in the studies concerning the succession of businesses owned by families having daughters. Lee K. S. discovered that when a family business owner didn’t have a son, his son-in-law, instead of his daughter, would possibly enter the family business and become a succession candidate of the business (even though the daughter is more excellent than the son-in-law). Hence, the modes of female successor-related intergenerational succession of Chinese family businesses in this paper refer to all possible intergenerational succession modes faced by the females’ family businesses.

**Research Methods**

**Case study method**

Most current studies about female successors in family businesses adopt theoretical research methodology (Wang X T, Dou J S, Jia S H.2018). However, due to the complexity and dynamic change of family business succession, current theoretical studies fail to solve many specific problems. Besides, since family business succession has special conditions in various regions, some foreign theories are not fully suitable for the studies about Chinese family businesses. For instance, Constantinidis and Nelson (2008) believed that many factors such as race, nationality, social conditions, age, birth order, etc., would affect women’s participation in family businesses and succession modes. Fu Ying (2014) stated that there were only a limited number of existing studies about female succession in family businesses, especially about specific cases in China, and such studies had scattered analytical frameworks and lacked systematic research planning.

Therefore, the case study method plays a prominent part in the studies about female successors in family businesses. It helps us identify the dilemmas faced by female successors in China as a result of specific and special factors like different family structures, regional cultures, etc., and analyze how these factors decide intergenerational succession modes. Moreover, different from a single case study, multiple case studies help create a good theoretical construct. According to relevant scholars, the optimal number of cases for multiple case studies is 3-6. So, 4 cases are selected in this paper.

In order to achieve satisfactory construct validity, related information is obtained from the following sources:

i. in-depth face-to-face interviews with founders and management team of enterprises,
ii. information on the corporate websites,
iii. access to internal documents of enterprises,
iv. questionnaires completed by interviewees, and
v. other secondary information. The same way of thinking and process are adopted for studying the four cases to ensure reliability, and a relatively complete case study library is finally established.

**Case introduction**

Representative family businesses in economically developed regions are selected for case analysis to make this study typical. And the enterprises studied in this paper are chosen from different sectors and have different family structures, including: I New Hope Group; II Fuyao Group; III Erdos Group; IV Sunleada Solar Co., Ltd.; V Henan Tong-da Cable Co., Ltd. Methods like questionnaires,
interviews and literature retrieval are used to collect the information about the intergenerational succession of these enterprises in order to provide scientific and comprehensive evidence for this study.

**New Hope Group:**

New Hope Group was founded in 1982 by Liu Yonghao, a famous private enterpriser. It is a private enterprise pioneer reflecting the progress and development of China’s reform and opening-up. In over 30 years, New Hope Group has been a member of the top 500 Chinese enterprises for 16 consecutive years. The Group has over 600 subsidiaries in more than 30 countries and regions worldwide, over 70,000 employees, assets of nearly RMB 200 billion and annual sales revenue of over RMB 130 billion. In November 2011, the Group released a notice, stating that Liu Chang would enter the board and act as a non-independent director. Two years later, Liu Yonghao resigned as chairman of New Hope Liuhe, and Liu Chang (the daughter) became new chairman of the board. From 2013 to 2015, the net profit of New Hope Liuhe after the take-over by Liu Chang experienced a cumulative increase by 27%. At the same time, the Group completed several M&A transactions involving Besun Agricultural Industry Group, Porridge Jiahe, etc. From June 2016, Liu Chang started to independently operate New Hope Liuhe with sales revenue of nearly RMB 75 billion. This refers to a mode of independent succession by a daughter.

**Fuyao Group (full name: Fuyao Glass Industry Group Co., Ltd.):**

Fuyao Group was founded by Cao Dewang in Fuzhou, China, in 1987. This large international group focuses on automotive safety glass and industrial technical glass. In 1993, Fuyao Group entered the A-share market in China. After its development for nearly 30 years, Fuyao Group has become the world’s largest professional supplier of automotive glass. Its products have been recognized and used by the world’s top automobile manufacturing enterprises such as Bentley, Benz, BMW, Audi, GM, Toyota, Volkswagen, Ford, Chrysler, etc. The Group provides global OEM supporting services and auto glass solutions for such enterprises and is rated as a “Global Excellent Supplier” by major automobile manufacturers. However, despite such great success, the Group still faces a succession problem. Now, the Group’s current general manager is Ye Shu, son-in-law of Cao Dewang.

**Table 1 Introduction to the Enterprises Studied**

<table>
<thead>
<tr>
<th>Year of Establishment</th>
<th>Main Business</th>
<th>Location</th>
<th>Number of Employees</th>
<th>Description of Female Succession Candidates</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Hope Group</td>
<td>Agriculture, animal husbandry, food, chemicals and resources, real estate and</td>
<td>Chengdu, Beijing</td>
<td>70,000</td>
<td>Only daughter, with strong capabilities, unmarried at the time of take-over</td>
</tr>
<tr>
<td></td>
<td>infrastructure, finance and investment</td>
<td></td>
<td></td>
<td>Take-over by the daughter</td>
</tr>
<tr>
<td>Fuyao Group</td>
<td>Automotive safety glass, industrial technical glass</td>
<td>Fujian</td>
<td>26181</td>
<td>The Group is taken over and operated by the son-in-law, due to insufficient ability of the daughter.</td>
</tr>
<tr>
<td>Erdos Group</td>
<td>Cashmere clothing, exploitation of resources and minerals, and comprehensive</td>
<td>Inner Mongolia</td>
<td>24000</td>
<td>The daughter has strong capabilities and has been married at the time of succession. The Group is jointly operated by the daughter and son-in-law.</td>
</tr>
<tr>
<td></td>
<td>utilization of energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sunleada Solar Co.,</td>
<td>Solar and energy</td>
<td>Jiangsu</td>
<td>301 - 500</td>
<td>The only daughter has no intention to take over the company.</td>
</tr>
<tr>
<td>Ltd.</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

**Erdos Group:**

Erdos Group was founded in 1979, and focused on the processing of cashmere products in an early stage. Now, it has developed into a modern industrial group covering cashmere clothing, exploitation of resources and minerals, and comprehensive utilization of energy. Wang Linxiang, founder of the Group, was born in 1951 in Baotou, Inner Mongolia. He worked in the former Yi League Cashmere Factory in 1970, acted as a leader of the Yi League Cashmere Sweater Factory in 1983, served as President of Erdos Cashmere Group in 1991, and started to work as chairman of the board of Erdos Group from 1999. Under his leadership, Erdos Group has become a leader in China’s textile industry and cashmere products. In 2006, Wang Zhen and her husband entered Erdos Group together. In 2014, she formally took over the Group and served as the chairman and general manager of Erdos Resources Co., Ltd. Since then, Wang Zhen and her husband managed the family business together and continuously upgraded the Erdos brand. The whole succession process was very successful.
Sanleada Solar Co., Ltd.:  
Sunleada Solar Co., Ltd. was founded on April 8, 1997. Its registered office is No. 126, Zhutang Road, Weiyang Economic Development Zone, Yangzhou, and its legal representative is Wang Huiyu. The scope of business: cargo transportation; services related to solar water heaters, solar water heating engineering, heat supply and heating engineering, and refrigeration engineering of air conditioning; solar photovoltaic products, all-glass vacuum solar collector tubes, solar electronic products, etc. The company completed its succession plan in 2011. Wang Huiyu transferred the power of day-to-day management to a professional manager when neither his only daughter nor son-in-law wanted to take over the company.

Case Analysis

Modes of intergenerational succession by female successors

Women are usually disadvantaged in the succession candidate list. Hence, the succession modes faced by female successors are different from general succession modes. For more thorough and comprehensive analysis, women’s family businesses are selected for case studies to explain potential succession modes of such family businesses.

Successors of family businesses are divided into internal successors and external successors. Then, internal successors will be classified by kindred and marriage. Some adjustments may be made based on the difference in the number of successors, and other types will be added accordingly.

Kindred-based succession by the daughter

Primogeniture has many advantages, such as low agency costs, high loyalty, and successful transfer of tacit knowledge to a great extent. Therefore, primogeniture is the first choice for many family businesses, such as Fotile Group, Quanjude Group, etc. Survey results reveal that for the businesses owned by families with daughters, the daughters usually take over the family businesses in most cases, similar to primogeniture. Kindred-based succession by the daughter is a typical mode of succession by female successors. This is the first intergenerational succession mode proposed in this paper - A1 kindred-based succession by the daughter. It belongs to kindred-based succession by internal successors of a family.

Kindred-based succession by others (son-in-law/adopted son)

Considering women’s attitude toward succession and the uncertainty of daughters being chosen by families as succession candidates, family businesses also have other choices other than the mode of “kindred-based succession by the daughter”. Due to gender discrimination, female successors are often excluded from succession candidates. For families that refuse their daughters to enter family businesses but still want to select the kindred-based second generation to take over the family businesses, seeking succession candidates from the kindred-based second generation other than daughters will certainly be a key and popular way. In other words, if there are other kindred-based male candidates, family businesses will choose the mode of “transferring the leadership from fathers to sons”. It also belongs to the kindred-based succession. Different from the first mode, this succession mode excludes “female candidates”, and “others” except daughters are selected for succession. This is another mode of intergenerational succession by kindred-based candidates of a family - A2 kindred-based succession by others.

However, limited by family structure, not all families have male candidates. For example, most Chinese girls born after the 1980s are daughters of one-child families. These families have no male offspring. In this case, business owners will develop another internal succession mode by changing family structure. In Japan, for example, there is a special solution for taking over family businesses: succession by “sons-in-law”. If a business founder believes that the daughter is incompetent or unwilling to take over the family business, the business founder will select a talented young man from the business to be the son-in-law. One year after the marriage, a formal adoption ceremony is held to adopt this young man. He took the surname of the business founder and became the founder’s “son”. After the completion of the above processes, a transition from the son-in-law into the “son” has been finished, and the son-in-law will get the succession right eventually. Panasonic is a typical example. Panasonic was established in 1918. The second president, Masaharu Matsushita, is the “son-in-law/adopted son” of the founder Konosuke Matsushita. After Konosuke Matsushita retired in 1973, Masaharu Matsushita took over the company. Today, Panasonic’s succession model has been proven successful.

Marriage-based succession by the son-in-law

In addition, there are also cases of marriage-based mode of intergenerational succession in China, so we propose another intergenerational succession mode B within the family: marriage-based succession. In many enterprises, due to the Chinese culture of “men taking charge of external affairs and women taking charge of internal affairs”, women not only have to obtain a certain position in the the company, achieve good performance through powerful management, and play the role of a commercial superwoman, but also play the role of a good wife and mother in the family by taking good care of the elderly and children. Achieving a balance between work and family has become the biggest challenge. Therefore, the business owner (as father) and his daughter are likely to be willing to adopt the succession mode of the son-in-law managing and governing the business, which can ensure not only the safety of the enterprise succession, but also the daughter’s balance between family and career.
Joint succession mode

The above three modes A1, A2 and B are all modes of succession within the family, among which A1 and A2 are kinship-based succession modes, and B is a marriage-based succession mode where the management of the enterprise is handed over to the daughter’s spouse (son-in-law). These modes are “independent” succession where only one person in the family is the candidate for succession. We can also see in some families the mode of joint succession by the daughter and others. For example, considering the balance between family and work, the daughter may be willing to actively seek cooperation with others to manage the family business, or the enterprise may actively require joint succession by the daughter and others due to other factors. For instance, the daughter may jointly succeed the business owner together with her siblings or with the son-in-law, where different persons take charge of different business segments of the company.

Accordingly, we propose the third succession mode within family businesses: mode C (joint succession). This succession mode is diverse, including the combination of kinship-based modes (by the daughter and her siblings) and the combination of kinship-based mode and marriage-based mode (by the daughter and the son-in-law).

Succession mode of hiring professional managers

The above are several succession modes within family businesses. With the development of professional management system, China’s professional manager market is becoming increasingly perfect. Competent talents specialized in business management can also solve the problem of succession in family businesses, especially for the only child family where the daughter is resistant to the inheritance of the business or the business owner refuses to hand over the management to the daughter. It can be a good choice to entrust the management of the business to specialized talents. Therefore, we propose the last and fifth external succession mode of family businesses: mode D (succession by professional managers).

Case analysis of intergenerational succession modes

Based on the above analysis, we hold that the family structure of the woman is the decisive factor in the selection of the intergenerational succession mode of the family business. This paper proposes 5 types of female succession modes of family businesses, with kinship-based succession/marriage-based succession/succession by external professional managers as one dimension and independent succession/joint succession as another dimension. The 2 attributes divide succession modes of family businesses into 5 types: A1 (independent kinship-based succession by the daughter), A2 (independent kinship-based succession by others), B (marriage-based succession by the son-in-law), C1 (joint succession by the non-only child daughter and her siblings), C2 (joint succession by the daughter and son-in-law), and D (succession by professional managers). The following is a corresponding analysis of the aforesaid cases of Chinese private enterprises:

Mode A1: Kinship-based succession by the daughter

New Hope Liuhe Co., Ltd. founded by Liu Yonghao and others in 1998 was listed on Shenzhen Stock Exchange on March 11, 1998. Based on the agriculture and animal husbandry industry, the company is committed to steady development, with the business involving feed, breeding, meat products and financial investment. The company operates all over China, with more than 20 subsidiaries established or under construction in Vietnam, the Philippines, Bangladesh, Indonesia, Cambodia, Sri Lanka, Singapore, Egypt and other countries. As of the end of 2011, it held nearly 500 branches and subsidiaries with total assets of more than CNY 20 billion. The company has more than 70000 employees. According to finance.sina, on May 22, 2013, the family business New Hope Liuhe Co., Ltd. completed its succession, and Liu Chang, Liu Yonghao’s daughter, succeeded his father as Chairman and legal representative of New Hope Liuhe. According to public information, Liu Yonghao’s wife is Li Wei, and Liu Chang is the only child in their family, who married on August 8, 2015. It can be seen that Liu Chang was the only candidate for succession in his family as an unmarried only child during her succession in 2013, and her family structure is type 1 (independent kinship-based succession). For New Hope Liuhe at that time, there were following alternative succession modes: A1 (kinship-based succession by the daughter), C (joint succession) and D (succession by professional managers).

In her speech at Guanghua School of Management of Peking University in 2016, Liu Chang said that her succession in New Hope Liuhe was a comprehensive balance between feelings and reality. From the perspective of feelings, as she had less and less communication with her parents since her studying abroad for many years, returning to the family business was one of the ways for her to return to her parents. In addition, from a practical point of view, the resources and development of the family business provided her a good platform. Therefore, Liu Chang was willing to take over the family business.

The successful succession in a family business involves more than the will of the successor. In fact, Liu Yonghao had decided to hand over the management of his family business to his daughter, and Liu Chang’s succession was considered “just a matter of time”. In 2002, when Liu Chang returned home from studying abroad, Liu Yonghao secretly agreed with her that she would not meet the press in 10 years. Liu Chang acted exactly as agreed. She obtained work experience inside and outside the New Hope Group under the name of Li Tianmei. At the end of the 10 years, Liu Chang officially appeared in front of the public in 2011. As a member of the National Committee of the Chinese People’s Political Consultative Conference, Liu Yonghao arranged the debut of his daughter in public. Since then, Liu Chang began to serve as the Secretary of the Youth League Committee of New Hope Group and joined the board of directors of the
group for the first time on November 30, 2011. In 2011, in an interview of China Economic Weekly, Liu Yonghao said that he had been gradually delegating power in recent years, while Liu Chang was “undertaking more”. Liu Yonghao always says that her daughter can do whatever she likes and the succession is her own choice. However, he has appointed Liu Chang as the Secretary of the Youth League Committee of New Hope and the director of the group. It can be seen that Liu Yonghao’s intention to hand over the family business has already been self-evident.

Table 2: Succession modes

<table>
<thead>
<tr>
<th>Kinship-based</th>
<th>Marriage-based</th>
<th>Professional manager</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A1: Kinship-based succession by the daughter</td>
<td>B: Marriage-based succession by the son-in-law</td>
<td>D: Succession by professional managers outside the family</td>
</tr>
<tr>
<td>A2: Kinship-based succession by others</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Joint</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C1: Succession by the daughter as a non-only child + her siblings</td>
<td>C2: Succession by the daughter + the son-in-law</td>
<td></td>
</tr>
</tbody>
</table>

However, Liu Chang’s succession did not end here. In April 2013, New Hope amended its articles of association, and the “Joint Chairman” first appeared in the description of the board of directors in Article 106. On May 22, 2013, the general meeting of shareholders and the meeting of board of directors of New Hope Liehu Co., Ltd. were held in Chengdu. Liu Chang was elected new Chairman of the board. It is worth noting that Chen Chunhua, the “newcomer” who took over the position of Co-chairman and CEO of the company, took office together with Liu Chang at the meeting. The “Co-chairman” system adopted by New Hope in the handover created a precedent among A-share listed companies. Public information shows that Chen Chunhua was the president of Shandong Liehu Group before the company was acquired by New Hope. She is currently a professor and doctoral supervisor of School of Business Administration, South China University of Technology, and has served as senior management consultant for Konka Group, Kelon Group and many other enterprises. Obviously, the Co-chairman system was intended to escort Liu Chang’s succession and help Liu Chang take over the family business more smoothly with the help of the theory and experience of the professor and outstanding executive. In response, Liu Yonghao said in 2014, “While we all can see the succession of (my) daughter, there is actually a young group and team behind it. In the past, the succession in some enterprises is either by their children or by the management team. We are somewhere in between. This is an innovative succession mode, which is quite good judging from the results.”

In addition, Ms. Luo Meiyuan of Hunan WONBLY Apparel Group has two children. Her son was born in 1982 and died in a car accident at the age of 7. At present, her daughter is in the process of succession. Ding Bei (the only child of the founders Ding Kongxian and Chen Hanzhen) of Jiawei Renewable Energy Co., Ltd. (300317), Liao Weijia (the only child of the founders Liao Changguang and He Yongzhi) of Chongqing Little Swan, Fu Fenfang of Fujian Sunner Development (002299) and Li Hanqiong (the only child of the founder Li Rucheng) of Youngor (600177) in Ningbo, Zhejiang Province are all examples of only children in the second generation taking over the family businesses.

**Mode B: Marriage-based succession by the son-in-law**

As the world’s largest professional supplier of automotive glass, Fuyao Group has been established for 33 years. At the age of 74, the founder Cao Dewang is still serving as Chairman of the board. Its corporate succession plan began as early as 2006, but has not been completed yet.

In 2006, under the arrangement of Cao Dewang, Cao Hui became General Manager of Fuyao Glass and officially took over the company to implement his father’s succession plan. However, the succession plan was implemented for only 9 years. In 2015, Cao Hui chose to resign from the position of General Manager of Fuyao Glass, and then began to start his own business in the sector of automotive. Cao Dewang was forced to appoint Zuo Min as General Manager of the company. Since then, there were many media reports that Cao Hui was unwilling to take over the company and often argued with his father about whether he would take the office. In public, Cao Dewang has repeatedly stated that he would make his eldest son Cao Hui take over the family business. However, up to now, Cao Hui has only served as vice Chairman of Fuyao Glass and has not yet returned to the company to take over his father’s position.

Given that the son was unwilling to take over the company, in 2016, the board of directors of Fuyao Glass nominated Ye Shu, Cao Dewang’s son-in-law, as General Manager of Fuyao Glass, temporarily ending the state of no successor in the family business. In fact, the son-in-law had been developed intentionally before his entry into the management, which was not a temporary response. In July 2003, Ye Shu joined Fuyao Glass and successively worked in the Auxiliary Product Department, Construction Preparation Group and other departments, serving as Deputy Manager and Deputy General Manager of Fuyao Glass and its subsidiaries. According to the investigation of Ye Shu’s public resume by the reporter of The Times Weekly, he has served in many posts within Fuyao Glass, and worked in some posts for merely 3 months. From May to November 2008, Ye Shu acted as General Manager of Fuyao Hainan Float Glass Co., Ltd. to take charge of the company alone. After serving for only half a year, Ye Shu was transferred
from Fuyao Glass and took the post of General Manager of Yaohua Industry from November 2008 to March 2009. From March to June 2009, Ye Shu served as Deputy General Manager of the procurement department of Fuyao Glass. Through such job rotation, Ye Shu gradually found a suitable direction for himself. From June 2009 to February 2017, he served as the director of the supply management department of Fuyao Glass. Finally, in February 2017, Ye Shu served as Deputy General Manager of Fuyao and officially entered the management team of the listed company. On March 27, Ye Shu became General Manager to officially take over the company. In Cao Dewang’s opinion, Ye Shu’s ability meets the requirements for serving as General Manager. He has full confidence in his son-in-law Ye Shu, who has exceptional comprehensive ability, kind character and good looking.

According to public information, Cao Dewang has two sons and a daughter, and his daughter Cao Yanping once studied in the United States. In 2003, Cao Yanping married Ye Shu. Caoyanping is a married non-only child. It can be seen from Figure 2 that Cao Yanping’s family structure belongs to type IV (marriage-based joint succession). According to Table 4, we can see that there are 5 potential succession modes for the family business: (1) kinship-based succession by the daughter, (2) kinship-based succession by others, (3) marriage-based succession by the son-in-law/adopted son, (4) succession by the professional manager, and (5) joint succession.

There are few public reports about Cao Yanping, Cao Dewang’s daughter. We have never heard of Cao Dewang’s wish for or mention of her succession. We speculate that due to social and cultural factors, Cao Yanping, as a daughter, has been ignored and has never been considered as a candidate for succession. Cao Hui, Cao Dewang’s eldest son, once agreed to take over the family business but later withdrew with a vague attitude. Cao Daiteng, the youngest son of Cao Dewang, has little experience in media coverage, and has not been designated as a successor by Cao Dewang. When there was no clear candidate for the successor within the family, Cao Dewang did not choose a professional manager as the successor. In an interview, Cao Dewang said that “Cao Hui is not necessarily the best manager in Fuyao Group, but as he is Cao Dewang’s child, he has to take over the business”, which shows his strong intention for succession by someone inside the family. Therefore, Cao Dewang finally chose his son-in-law Ye Shu as one of the successors, and let him serve as General Manager of Fuyao Group.

In fact, the succession by the son-in-law has long been popular in Japan, such as the case in Panasonic, which was established in 1918. The second Chairman, Masaharu Matsushita, is the “son-in-law/adopted son” of the founder Konosuke Matsushita. Nowadays, there are quite a few family businesses that choose their son-in-law as successor in China. Ye Shanqun, the founder of Shuanghuan Gear in China, handed over the business to his 3 sons-in-law. It can be said that for family businesses where the daughter is unwilling or unsuitable for succession, the son-in-law and adopted son is a suitable choice for internal succession.

Mode C: joint succession

Founded in 1979, Erdos Group was once a state-owned enterprise in Erdos. Later, it was restructured to be a private enterprise and became the private family businesses of the founder Wang Linxiang. Now, after more than 30 years of development, it has become a modern industrial group of diversified operations such as cashmere clothing, resource and mineral development, and comprehensive utilization of energy. According to its financial reports, the operating revenue of Erdos Resources Co., Ltd. in the first 3 quarters of 2019 reached CNY 16.615 billion. At present, the market value of the company is as high as CNY 11.81 billion.

However, it was not Wang Linxiang alone who made such brilliant achievements. The development of Erdos Group had a substantial improvement only after the succession of his daughter Wang Zhen and son-in-law Zhang Yiling.

Wang Zhen, Wang Linxiang’s only daughter, is now Chairman and General Manager of Erdos Group; Zhang Yiling, his son-in-law, is a director and Deputy General Manager. Born in October, 1980, Wang Zhen holds a master’s degree. She has studied in the UK for 9 years and graduated from University of Cambridge. After returning to China in 2005, she joined Roland Berger (China) as a consultant. In 2006, she joined Erdos Group with her husband Zhang Yiling. At that time, Wang Zhen found that China, the world’s largest cashmere producer and exporter, did not have a high-end cashmere brand, and that many Chinese could not tell the difference between cashmere and wool, mistakenly believing that cashmere was worn by the elderly. Therefore, Wang Zhen created the high-end brand cashmere brand 1436 with a view to reshaping the image of cashmere clothing in the mind of Chinese people and enabling Chinese people to truly enjoy the experience of top cashmere clothing. This was Wang Zhen’s first big move after joining the group, and the creation of the brand finally proved very successful. Since then, 1436 has appeared in APEC Summit, G20 Summit and other international events since 2008, and has completed the mission of diplomatic ceremony for many times. It fundamentally reshaped people’s understanding of cashmere and created a high-end cashmere image. In 2014, Wang Zhen officially took over the business of the whole cashmere group from her father Wang Linxiang. Since then, the brand upgrading has been accelerated, and the market has been gradually expanded. In 2018, in the analysis report of China’s 500 Most Valuable Brands released by World Brand Lab, the brand value of Erdos was CNY 93.158 billion, ranking first in the textile and garment industry in China. Zhang Yiling, Wang Linxiang’s son-in-law, took over the family business together with Wang Zhen. Born in November, 1980, Zhang Yiling is now a director of Erdos Resources Co., Ltd. In May 2006, Zhang Yiling and Wang Zhen founded the top cashmere luxury brand 1436 in Erdos, and formally joined Erdos Group. In 2013, as president of Erdos Cashmere Group and Chairman of the listed company, he started a new journey to build the “World Cashmere King” in the new era. Since December 2014, he has served as General Manager of Erdos Electric Power & Metallurgy Co., Ltd., and put forward the vision of building a happy industrial park with international competitiveness. Leading 20000 employees, he committed himself to reform, and vigorously promoted the enterprise’s innovation in environmental protection, energy conservation and scientific research. The company became a benchmark leader in the industry
and region, and made outstanding contributions to regional employment and social benefits. In 2018, under the leadership of Zhang Yiling, Electric Power & Metallurgy achieved a cumulative sales revenue of CNY 33.8 billion and a profit of CNY 2.01 billion. The tax contribution was CNY 2.46 billion, and both the profit and tax payment exceeded CNY 2 billion for the first time.

Mode D: succession by professional manager

Sunleada Solar Co., Ltd. was founded by Mr. Wang Huiyu in 1997. After more than 10 years of development, it won many awards and honors such as “Jiangsu Famous Brand Product”, “National Key High-tech Enterprise” and “China famous Trademark”. The company completed its succession plan in 2011.

Born in 1947, Wang Huiyu once worked as the production director of Hanjiang Xinxing Solar Water Heater Factory and served as the manager after restructuring. However, he had always cherished a dream of entrepreneurship. At the age of 30, he started his business in the solar energy industry, starting from a mini factory with assets of only a few hundred thousand CNY, which developed into a national high-tech enterprise with net assets of nearly CNY 100 million. In 2011, Wang Huiyu, at the age of 64, began to think about succession. Wang Huiyu has only one child, but his daughter and son-in-law both work in Beijing and have made good progress in public institutions. They have no intention of taking over his father’s business. With no one in his family to succeed him, he chose a professional manager and stepped down from the post of General Manager in 2011, and continue to serve as Chairman of the company only. At present, the system of rotating General Manager is implemented in Sunleada, with a total of 5 managers each rotating for one year. Wang Huiyu said that if the result proved not satisfactory, he would continue to hire other professional managers from outside.

(III) Case analysis of intergenerational succession modes

**Determination of mode of intergenerational succession by female successors**

![Figure 1: Influencing factors of succession modes](image)

The case analysis reveals that there is some mechanisms to determine the mode of intergenerational succession by female successors in Chinese family businesses. This paper proposes 4 types of modes: A, B, C and D. Which of the 4 modes will be used by the enterprise is mainly influenced and driven by several main forces (as shown in the figure), with the first influencing factor being the family structure? Different structures directly affect the human resource endowment of the family, that is, the type and number of potential successors. We propose that the family structure can be divided into the following 2 categories. The first is whether the daughter has siblings (i.e., whether she is an only child), which directly determines the number of successors that the business owner can choose from. In addition, the “Eldest Son Inheritance System” also brings obvious differences to the choice of female successors in this family structure (there is no eldest son in the family vs there is eldest son in the family). Second, whether the female successor is married or not also affects the family human resource structure, thus indirectly affecting the number of successors that the business owner can choose from. The study of Lee K. S. reveals that in the case of “no son” in the family business, the son-in-law is likely to enter the family business and become a candidate for succession. To sum up, we refer to whether the daughter has siblings (original family structure) and whether she is married (changes in family structure) collectively as the influencing factors of family structure.

The second influencing factor is the attitude of the business owner (father or mother). The succession is actually a two-way choice between the daughter and business owner(s). On the one hand, the daughter’s willingness to succeed has a direct effect on whether she will become one of the actual candidates for succession; on the other hand, the screening of the business owner for the successor also has an effect on whether the daughter will become one of the actual candidates. Finally, this two-way choice mechanism will result in a unique, definite and feasible intergenerational succession mode. The attitude of the business owner is naturally influenced by sociocultural factors. For example, in case D, Cao Dewang of Fuyao Group always insists on the eldest son inheritance system, and he has no plan for succession by the daughter according to the public information. We believe that women are often in a disadvantageous position in the arrangement of potential successors, as is revealed by Stavrou (1999).
Third, the daughter’s willingness to succeed is also an important driving factor. The daughter’s interest, sociocultural consideration, conflicts between work and family, role conflicts and other factors greatly affect which succession mode will be adopted. For example, in case B, Shi Xiaomeng, daughter of Shi Wanfu of Henan Tong-Da Cable, studied finance and lacked interest in the cable industry, so she refused the succession. Similarly, daughter of Wang Huiyu of Sunleada also lacks the intention for succession. In sharp contrast, in case A, Liu Chang took the initiative to succeed in consideration of returning to his family. In case C, Wang Zhen, daughter of Wang Linxiang of Erdos Group, also actively returned to the group in 2006.

Conclusions

Based on a review of the factors influencing the succession of female successors and their advantages, and according to the characteristics of the family businesses and the dimensions succession modes (internal choice vs external choices, kinship-based succession and marriage-based succession, independent succession vs joint succession), this paper creatively divides the modes of intergenerational succession in the female successors’ family businesses into 4 types: A1 (kinship-based succession by the daughter), A2 (kinship-based succession by others), B (marriage-based succession by the son-in-law), C1 (joint succession by the daughter and her siblings), C2 (joint succession by the daughter and the son-in-law), and D (succession and management by professional managers). Using the research methodology of cross case analysis, this paper reveals the framework of 3 major driving forces that affect which succession mode is adopted: family structure, the attitude of the business owner, and the attitude of the daughter. It also expounds on and reviews the application of the 5 modes based on the cases of female succession in several private enterprises in China.

This paper fills the gap in research on the daughter succession modes in Chinese private enterprises, identifies the 4 modes of succession by female successors in China for the first time, reveals the factors influencing which of the 4 modes is adopted, and expounds on cases and status quo of daughter succession in Chinese private enterprises. This provides a reference for some family businesses that are preparing for succession. For example, for the family with an unmarried only child, we list the possible modes of intergenerational succession. If such a family wants to expand the types of succession modes, it can increase the types of intergenerational succession modes by changing the marital status of the daughter and thus changing the family structure. We hope that this paper can provide useful reference for family businesses that are seeking for modes of succession. This paper also has some limitations. First, the paper is based on case study, so there are some shortcomings due to the misunderstanding of interviewers although scientific qualitative research methods are adopted. In addition, the representativeness of sampling of the cases and the universality and accuracy of the conclusions needs further testing. Second, due to the limited length, the paper only briefly explains the general selection mechanism of intergenerational succession modes, but the screening process is like a black box. How and how much the various problems faced by women in the succession of family businesses affect the choice of the succession still need to be further discussed quantitatively, which also provides the research direction in the future.

Acknowledgement

All authors have read and agreed to the published version of the manuscript.

Author Contributions: Conceptualization, X.C; methodology, X.C; validation, X.C; formal analysis, X.C; ZF, W; investigation, X.C, ZF, W; resources, ZF, W; writing—original draft preparation, X.C; writing—review and editing, ZF, W.

Informed Consent Statement: Informed consent was obtained from all subjects involved in the study.

Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy concern.

Conflicts of Interest: The authors declare no conflict of interest.

Reference


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